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A95

PROPOSAL REVIEW PROCESS

Perhaps the one aspect of new federalism that has most confounded people seeking funding has been the A-95 clearinghouse review process, a procedure begun in the 1960's primarily to assure better coordination of federally-assisted projects and to stimulate intergovernmental cooperation in planning and development activities.

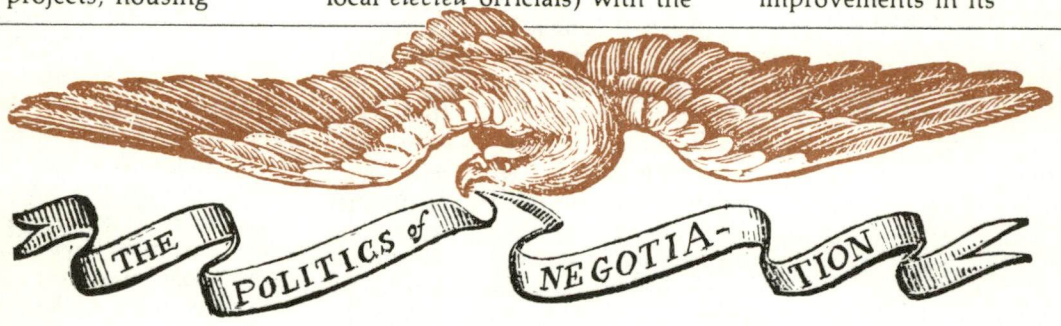
The A-95 process establishes state and areawide "clearinghouses" which are supposed to review: (1) most applications for assistance under nearly 200 federal programs that have some impact on the local community and (2) all direct federal development projects within the geographic area of the clearinghouse (for example, the construction of a federal office building). Programs under which applications must be reviewed include all urban renewal and model cities-type projects, housing programs, and educational and health care facilities; planning grants for health, law enforcement, community action and economic development, and many social service, education and health programs.

The process is intended to allow state, regional and local governments to integrate federal assistance programs and federal development activities with existing programs, policies and plans. It was a response to complaints about federal actions that affected communities vitally but which few people in the community knew about in advance.

The Advisory Commission on Intergovernmental Relations (ACIR) calls the legislation upon which most of A-95 is based (the Intergovernmental Cooperation Act) the "new congressional charter for federalism," saying that A-95 replaces the "politics of bypassing" local governments (particularly local *elected* officials) with the "politics of negotiation." Instead of applicants going directly to the federal government with a proposal, they must allow officials of local governments to review the proposed project and negotiate any objections that may arise. ACIR very accurately observed that A-95 is "much more than a set of administrative procedures."

PROBLEMS WITH A-95

Because of its importance, A-95 (the name comes from the number of the Office of Management and Budget circular that implements the procedure) has been the subject of a number of forceful critiques. Some, like ACIR and the Council of State Governments, have emphatically supported the concept while suggesting improvements in its



By Timothy Saasta
Associate Editor, The Grantsmanship Center News

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implementation. Others have been much less positive about the value of A-95.

Many applicants, particularly private nonprofit organizations, claim that the process submits their proposals to de facto vetoes by local governments which are based solely on political animosities or lack of knowledge about the program area. (A-95 clearinghouses do not have statutory veto power in that a federal agency can make a grant despite clearinghouse objections, but often their disapproval of a project will in fact kill it.) Others feel that the process is little more than another level of bureaucracy, creating delays in the processing of grant applications and wasting valuable resources without producing significant project improvements.

Many ethnic and racial minority leaders point to the limited minority representation on clearinghouse boards and staff and suggest that the process is inimical to minority concerns. Some question the tenet upon which A-95 and all of new federalism is based — that regional or local decision-making can be more responsive to the needs of the community.

Many local governments have been just as critical of A-95. Local governmental agencies, which are often asked by clearinghouses to comment on applications, complain that often their comments are ignored by the clearinghouses. And some local governments (which must have many of their applications reviewed by clearinghouses just as private nonprofit organizations do) consider the A-95 process another unwarranted federal intervention in local affairs and doubt that it has contributed to local autonomy.

Even clearinghouses are not satisfied with A-95. Many decry the lack of respect for the process by federal agencies and applicants, both of whom have often ignored requirements of A-95.

Many nonprofits claim that the process submits their proposals to de facto vetos by local governments which are based solely on political animosities or lack of knowledge about the program area.

Last February the General Accounting Office (GAO) published a report that tried to find out how the A-95 process was actually functioning. They concluded that the process had great potential but had been hindered by a number of problems. The study stimulated several changes in circular A-95, changes that went into effect in January, 1976. Probably the most important change for those seeking federal funds was a significant expansion of the programs subject to A-95 review.

One factor underlying all of the comment on A-95 is a lack of understanding about the process, a point dramatically underscored by the GAO report. GAO investigators found inconsistencies in OMB's administration of A-95; very significant inaccuracies in the instructions concerning A-95 that federal agencies provide applicants; misconceptions about the process by nearly all applicants; and many errors on the part of the clearinghouses themselves in interpreting and implementing circular A-95.

This article will attempt to explain how the A-95 review process actually works (and how the recent changes will affect it) as well as offer some suggestions about how to effectively work with the process. Some of the arguments that have been raised for and against A-95 will also be reviewed. But a prerequisite to understanding A-95 is some knowledge of its history.

HISTORY OF THE A-95 REVIEW PROCESS

Legislation extending back to the Housing Act of 1954 has included provisions for the coordination by local or regional planning agencies of applications for federal assistance. However, it was Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 that first established areawide coordination of more than a single federal assistance program. As such, Section 204 was the direct precursor of the A-95 review process.

Section 204 required that all applications for over 30 federal grant or loan programs that assist certain types of development activities be accompanied by the comments of a state or regional planning agency. Those comments were supposed to indicate whether the proposed project conformed with the comprehensive development plan for the area. Planning agencies had to be composed of or responsible to elected officials of local general purpose governmental bodies.

One of the important results of Section 204 was the rapid increase in the number of associations of governments (usually called Councils of Governments, or COGs)and metropolitan or regional planning agencies. The Act required that areas have such a regional organization to review applications for certain federal programs submitted by local agencies.

These organizations (called "regional councils" by ACIR) have varying structures, but all are multi-jurisdictional in scope, dealing on an areawide basis with problems common to all governmental units within the area. They comprise one of the most important elements of new federalism, since it is at the regional level that an increasing number of important decisions are being made. In the two years following the passage of the

Demonstration Cities Act, nearly 220 regional councils were established, more than doubling the number that had been in existence previously (there are 669 now).

The Intergovernmental Cooperation Act and A-95

The rather limited programmatic scope of the Section 204 review was greatly expanded by the Intergovernmental Cooperation Act of 1968 which, in the language of ACIR, was a "much more sweeping federal effort to orchestrate intergovernmental relations through the grant-in-aid system."

Section 401 of the Act set forth a national policy for intergovernmental coordination and cooperation and decentralized decision-making which was implemented by circular A-95, issued in July, 1969. Circular A-95 became the new guideline for clearinghouse review (replacing OMB circular A-82).

Circular A-95 has four parts, the first of which is by far the most important. That part requires that state and areawide agencies (clearinghouses) review applications for federal assistance under certain programs. Part II requires that federal agencies undertaking direct federal development projects consult with state and local governments concerning the project. Part III ensures that governors will have the opportunity to review the state plans that are required under certain federal programs (usually block grant programs) before assistance is awarded to the state. Part IV states that the many federally-supported planning activities for particular program areas must be coordinated at the regional level (e.g., regional health planning agencies must work with regional general purpose planning agencies.) Part I of the circular will be the focus of this article.

The key element of Part I is the Project Notification and Review System (PNRS), which is an attempt to get consultation on project applications at the beginning of the application process rather than after an applicant has spent time and money completing a detailed application. The timing of reviews was a major problem with the previous Section 204 review system.

The process is intended to allow state, regional and local governments to integrate federal assistance with existing programs, policies and plans.

A-95 significantly expanded the programs covered by areawide review requirements by adding planning assistance programs in the areas of health care, law enforcement and juvenile delinquency control, community action programs and economic development projects. Circular A-95 has been modified three times and each time the number of programs covered has increased. Programs added have generally been in the area of human resources. When the new circular went into effect (Jan. 5, 1976) approximately 200 programs were subject to clearinghouse review. Programs covered are listed in Appendix I of the *Catalog of Federal Domestic Assistance,* though that list is not always current. Some of the programs are block grant programs, meaning that a state receives funds which the state itself then grants to applicants. For those programs, applications *to the state* must be submitted for clearinghouse review. In addition, some states have laws requiring that other federal assistance programs, as well as the state's own assistance programs, be subject to A-95 review.

There were several other additions or changes to circular A-95 included in the three revisions (February 1971, March 1972 and November 1973) besides increased program coverage. The 1971 revision implemented part of the National Environmental Policy Act, requiring that, for projects affecting the environment and for which an environmental impact statement must be developed, state or local agencies concerned with environmental standards be allowed to comment on the project. The 1971 revision also established a different clearinghouse review procedure for certain housing programs.

The 1972 revision required that agencies responsible for enforcing state and local civil rights laws be given the opportunity to review the civil rights aspects of the proposed project and its effect on the minority community. The 1973 revision did not include any major changes other than increased program coverage.

A primary purpose of both the Demonstration Cities Act and the Intergovernmental Cooperation Act was to deemphasize the importance of the many limited purpose units of governmental (e.g., school, water, fire and hospital districts) that proliferated during previous decades (in 1972 over 24,000 such governmental units were identified by ACIR). A-95 requires that most proposals of these units of government be subjected to review by clearinghouses, which are supposed to be *general purpose* organizations concerned with areawide planning. If a special purpose unit of government applies for assistance to do something a general purpose government also intends to do, the federal agency is supposed to give the general purpose government preference.

A corollary to this is the emphasis on the role of "generalists" in program development (supposedly represented by elected officials) as opposed to the "specialists" who staff special purpose districts and governmental agencies.

HOW THE A-95 REVIEW PROCESS FUNCTIONS

The Project Notification and Review System (PNRS) established in circular A-95 serves as an "early warning system" under which agencies that have decided to apply for assistance under one of the covered programs must notify *both* **areawide *and* state clearinghouses** of their intentions as early as possible. They must submit a brief description of the project or activity for which they intend to seek federal assistance. Some clearinghouses have developed special forms for this called **"notifications of intent" or "NOI's."**

Clearinghouses are then expected to notify governmental agencies (the state clearinghouse notifies state agencies; the areawide **clearinghouse** notifies local agencies) and elected officials of local governments that might be interested and have them evaluate the potential effectiveness of the proposed project and its relationship to their own projects and plans (for instance, school boards might participate in reviews of projects relating to child and youth development). Clearinghouses may also conduct their own review of a project. Through these reviews, the clearinghouse is supposed to determine the consistency of the proposed project with existing plans for the areas and whether or not the project would duplicate or counteract other projects in the area.

A clearinghouse has 30 days to react to and gather comments about a project about which it has received notice. The idea at this stage is to identify issues or problems, if any, before the applicant has spent time and resources developing a formal application.

If the clearinghouse does not identify any issues, the applicant has fulfilled all obligation and may complete and submit the application to the funding agency unless the clearinghouse specifies that it

Notifying the Clearinghouse

An applicant seeking assistance from a federal program that requires A-95 clearinghouse review is supposed to submit to the clearinghouse notification of intent to apply for assistance "at such time that (the applicant agency) determines it will develop an application." Many clearinghouses have developed their own special forms for this purpose. The illustration is of one such form (CA 189) which is used by California clearinghouses. It gives some indication of the type of information that must be included in a notification.

The first part of the notification must be filled in by the applicant, who then **sends copies to both the** areawide clearinghouse and the state clearinghouse. The second part of the form is filled in by the clearinghouse. The clearinghouse signs the form (see information item number 38) when the review has been completed and returns it to the applicant. Because it must be signed by the clearinghouse, this particular notification form ensures that the applicant does not submit his application to the federal agency until the clearinghouse has completed its review. Most notification forms do not have this "sign-off" feature.

Form 189 is very similar to a new standard form (SF424) which will soon be used as a cover form for all applications for federal assistance. OMB is urging that the new form be adopted by clearinghouses as a notification of intent and many clearinghouses will probably begin to use it as such. (The new form is **illustrated on page 57 of issue 13 of the NEWS.**)

The new form has a place where applicants must indicate which clearinghouse reviewed the application and whether or not they have submitted comments concerning it. This presumably will help federal agencies determine whether or not A-95 requirements have been met. The new form will also be used by the federal agency to notify the clearinghouse of the action it has taken on the application (similar to part 5 of form 189 which is illustrated). It is felt that by using the same form for all of these steps the entire process will work better and the information the clearinghouse receives will be more accurate and easier to use.

However, some clearinghouses are unhappy with the new form because it doesn't have a place for the clearinghouse to sign when it **has completed its review. "There is nothing to stop the applicant from sending the application to the federal agency at they time it is submitted to the clearinghouse,"** commented John Huestis of the California state clearinghouse. **"They can just send us a copy of the notification form and send the original in since it doesn't have to be signed by us and receive an identification number at the time they submit the notification. Under the system we have now in California with 189s, we have the paper the applicants need to send to the federal agency in our hands and they can't do anything until we have completed our review and signed the form. The new form (424) takes control out of the clearinghouse."**

Clearinghouses can continue to use their own notification of intent forms and, according to Huestis, California is considering doing so. "However, that would require the clearinghouse to put an extra piece of paperwork on top of the applicant, which would make us look bad," Huestis laments.

However, according to one of those involved with developing the new form, it was the clearinghouses themselves that argued against making 424 a uniform notification of intent form. They wanted to be able to use their own forms. If 424 included a place for clearinghouse sign-off it would have to be used as a notification form by all clearinghouses.

Applicants must notify both an areawide and a state clearinghouse of their intentions to apply for assistance as early as possible.

Do not type to the left of dotted line.

COVER SHEET for FEDERAL GRANT APPLICATION/AWARD NOTIFICATION and other Project Reviews – STATE OF CALIFORNIA

1 APPLICATION DATE (yr mo day) 19 ___ ___ ___

ITEMS 1-31 TO BE COMPLETED BY APPLICANT

3. APPLICANT – Organizational Unit | 4. ADDRESS – Street or P. O. Box | 2 FEDERAL EMPLOYER ID NO.

5. CITY | 6. COUNTY | 7. STATE | 8. ZIP CODE | 9. PROG TITLE/NO. (Catalog of Fed Domestic Assistance)

PART 1

10. TYPE OF ACTION: a ☐ New c ☐ Modification; b ☐ Continuation

TYPE OF CHANGE (Complete if 10b or 10c was checked)
11. a ☐ Increased Dollars b ☐ Decreased Dollars
12. a ☐ Increased Duration b ☐ Decreased Duration
13. a ☐ Other Scope Change b ☐ Cancellation

14. EXISTING FED GRANT ID

15. REQUESTED FUND START (yr mo) 19___ ___
16. FUNDS DURATION ___(Months)
17. EST. PROJECT START (yr mo) 19___ ___
18. EST. PROJECT DURATION ___(Months)

19. APPLICANT TYPE (Enter Letter ☐)
A. State; B. Interstate; C. Sub State Dist; D. County; E. City; F. School District; G. Community Action Agency; H. Sponsored Organization; I. Indian; J. Other (Specify in Remarks)

FUNDS REQUESTED (For Changes Show Only Amt. of Inc.(+) or Dec.(-).)
20. FEDERAL ( ) $ ___.00
21. STATE ( ) $ ___.00
22. LOCAL ( ) $ ___.00
23. OTHER ( ) $ ___.00
24. TOTAL (20, 21, 22, 23) ( ) $ ___.00

25. BRIEF TITLE OF APPLICANT'S PROJECT

26. DESCRIPTION OF APPLICANT'S PROJECT (Purpose)

27. AREA OF PROJECT IMPACT (Indicate City, County, State, etc.) | STATE-WIDE ☐ Yes ☐ No | COUNTY-WIDE ☐ Yes ☐ No | MULTI-COUNTY ☐ Yes ☐ No

28. CONGRESSIONAL DISTRICT Of Applicant [ ] Districts Impacted By Project [ ]

29. Environmental Assessment Required By State/Federal Agency? ☐ Yes ☐ No

30. CLEARINGHOUSE(S) TO WHICH SUBMITTED: a ☐ State b ☐ Area Wide c ☐ None

31. a NAME/TITLE OF CONTACT PERSON | b ADDRESS – Street or P. O. Box | c TELEPHONE NO.

31. d IS ENVIRONMENTAL DOCUMENT REVIEW REQUIRED YES ☐ NO ☐
If Yes ☐ Environmental Impact Statement (Report) Attached (20 copies) ☐ Draft EIR ☐ Final EIR
☐ Negative Declaration Attached (20 copies)
☐ None attached - Document Will Be Forwarded On
Approximately ___ (Mon Day Year)
If No ☐ Federal Program Does Not Require An Environmental Document ☐ Project Exempt Under State Categorical Exemption, Class ___

e Will the project require relocation? YES ☐ NO ☐
f Does your agency have a civil rights affirmative action policy and plan? YES ☐ NO ☐
g Is project covered by A-95, Pt IV? YES ☐ NO ☐ If yes, is MOA executed? YES ☐ NO ☐
h If project is physical in nature or requires an environmental document, list the U. S. Geologic Survey Quadrangle map in which the project is located.

ITEMS 32-38 TO BE COMPLETED BY CLEARINGHOUSE

PART 2

32. CLEARINGHOUSE ID | ☐ MULTIPLE CLEARINGHOUSE

33. a ACTION BASED ON REVIEW OF: a ☐ Notification b ☐ Application
33. b ACTION TAKEN: a ☐ With Comment b ☐ Without Comment c ☐ Waived d ☐ Unfavorable

34. STATE APPLICATION IDENTIFIER (SAI) C A (State) ___ (Number)

35. CLEARINGHOUSE IMPACT CODE | STATE WIDE ☐ Yes ☐ No | County/ City Plng Area | County/ City Plng Area | County/ City Plng Area | County/ City Plng Area | County/ City Plng Area | County/ City Plng Area

36. STATE PLAN REQUIRED ☐ Yes ☐ No

37. RECEIVING DATE AT CLEARINGHOUSE (yr mo day) 19___ ___ ___
38. FINAL CH ACTION DATE (yr mo day) 19___ ___ ___

38. a SIGNATURE OF CH OFFICIAL

ITEMS 39-42 TO BE COMPLETED BY APPLICANT BEFORE SENDING FORM TO FEDERAL AGENCY

PART 3

39. CERTIFICATION – The applicant certifies that to the best of his knowledge and belief the above data are true and correct and filing of this form has been duly authorized by the governing body of the applicant. Check box if clearinghouse response is attached. ☐

40. a NAME (Print or Type) | b TITLE | c SIGNATURE of Authorized Representative | d TELEPHONE NUMBER

41. DATE MAILED TO FEDERAL/STATE AGENCY (yr mo day) 19___ ___ ___

42. NAME OF FEDERAL / STATE AGENCY TO WHICH THIS APPLICATION SUBMITTED

ITEMS 43-54 TO BE COMPLETED BY FEDERAL OFFICE EVALUATING AND RECOMMENDING ACTION ON THE APPLICATION

PART 4

43. GRANT APPLICATION ID (Assigned by Federal Agency)
44. GRANTOR AGENCY
45. ORGANIZATIONAL UNIT
46. ADMINISTERING OFFICE

52. Application Rec'd. (yr mo day) 19___ ___ ___
53.a Exp. Action Date (yr mo day) 19___ ___ ___
Always Complete 53.a OR b
53.b Ret. to Applicant (yr mo day) 19___ ___ ___

REVISIONS: Amended Applic. Received (yr mo day) 19___ ___ ___ / 19___ ___ ___ / 19___ ___ ___

REVISIONS: Rev. Expected Action Date (yr mo day) 19___ ___ ___ / 19___ ___ ___ / 19___ ___ ___

54. Exp. Action Revised As Of (yr mo day) 19___ ___ ___ / 19___ ___ ___ / 19___ ___ ___

REVISIONS: Subsequent Ret. to Applicant (yr mo day) 19___ ___ ___ / 19___ ___ ___ / 19___ ___ ___

47. ADDRESS – Street or P. O. Box | 48. CITY | 49. STATE | 50. ZIP CODE | 51. TELEPHONE NUMBER

ITEMS 55-65 TO BE COMPLETED BY THE FEDERAL OFFICE APPROVING THE GRANT APPLICATION

PART 5

FINAL ACTION: 55. a ☐ Awarded b ☐ Rejected c ☐ Withdrawn
FINAL DATES (yr mo day)
56. FUNDS AVAILABLE 19___ ___ ___
57. ENDING DATE 19___ ___ ___
58. FEDERAL GRANT ID
59. FEDERAL FUND ACCOUNT NUMBER

FUNDS APPROVED [For Changes Show Only Amt. of Inc. (+) or Dec. (-).]
60. FEDERAL AMOUNT (F Y___ funds) ( ) $ ___.00
61. STATE SHARE ( ) $ ___.00
62. LOCAL SHARE ( ) $ ___.00
63. OTHER ( ) $ ___.00
64. TOTAL (60, 61, 62, 63) ( ) $ ___.00
65. MULTIPLE PROGRAM–LINK

PART 6

66. REMARKS

7/74 Federal Regional Council CA-189

wishes to review the completed application. If so, the clearinghouse has an *additional* 30 days. Thus PNRS is a two-part system consisting of two separate 30-day review periods, the first involving the applicant's notification of intent to apply for assistance, the second involving the formal application. The clearinghouse can complete its review and "sign-off" at any time during either 30-day period, meaning that if there are no issues and the clearinghouse is fairly efficient the entire process may take only a few days. (If the applicant does not submit a notification of intent but rather a final application, the clearinghouse is allowed up to 60 days to review the proposal.)

If the clearinghouse has identified issues during the notification stage, it is supposed to arrange meetings with the applicant to discuss the issues before a final application is prepared. There is no time limit on how long such consultations can last and at times they may extend for several months. The intent is that differences about a project be resolved in this manner, meaning that the project may possibly be significantly changed. "A-95, in effect, forces people who should be talking with each other to talk to each other, commented Dwight Ink, formerly an administrator in OMB. "Communication is fundamental to cooperation."

If the differences **are resolved** the applicant may complete the application and submit it to the funding agency. If the parties involved agree that the differences **cannot be resolved,** the applicant completes the application and submits it to the clearinghouse for the second 30-day review. During this period the clearinghouse and other agencies involved react to any changes that have been made and prepare written comments concerning the application. The applicant must then submit those comments along with the application when it is sent to the funding agency. All comments of agencies that reviewed the application **which differ from the clearinghouse's position** must also be included, thus the comments

Most clearinghouse reviews are completed within the first 30-day period. Often the process takes only a few days if no issues are involved.

accompanying an application may be both positive and negative.

(Many clearinghouses have boards or project review committees which consider several applications at regularly-scheduled meetings. Usually the staff of the clearinghouse will arrange reviews of an application prior to the meetings. Then at the meeting the board or committee considers the reviews and adopts the clearinghouse's official position on the application.)

At any time **after** the initial 30-day notification period, if unresolved issues persist, the applicant may submit a copy of the completed application to the clearinghouse, which forces the clearinghouse to submit its comments to the applicant within 30 days. Also, an applicant who has received no response at all from the clearinghouse within the allotted periods for review may submit a completed application to the funding agency. These are means by which an applicant can counteract undue delay caused by those who are opposed to the project or by a poorly functioning clearinghouse bureaucracy. However, forcing the issue in such a manner could alienate the clearinghouse and create even stronger opposition to the project.

When submitting the application to the funding agency the applicant must include a statement that all clearinghouse comments were considered. The applicant may also include a rebuttal to those comments. If there were no comments, the applicant must certify that A-95 procedures were followed and that the clearinghouse did not identify any issues. Since all proposals (with a very few exceptions) must be submitted to both area and state clearinghouses, all these procedures apply at **both** levels. Before an applicant can submit an application to the funding agency, both clearinghouses must be allowed to complete their reviews.

It is when a disputed application is sent to the federal agency that ACIR's "politics of negotiation" really begins to operate. The federal agency does not have to heed the critical comments of the clearinghouse. Even if it is totally opposed to the project, the funding agency can still make the grant, though it must provide the clearinghouse with a written explanation of why it did so. All the funding agency must do under the circular is (1) notify potential applicants that they must submit applications to areawide and state clearinghouses; (2) not accept an application unless it has been considered by both a state and areawide clearinghouse; and (3) notify clearinghouses within seven days of any action taken on an application.

Because federal agencies do not have to conform to clearinghouse criticisms, if there are differences between the applicant and the clearinghouse both "must calculate their relative political clout or persuasiveness with the funding agency concerned," commented Peter Petkas, director of the Southern Governmental Monitoring Project, which has observed how A-95 has been operating in several Southern states in connection with its monitoring activities. "This may boil down to personalities — who knows whom and how well in the governor's office or in Washington; or leverage — who can gain the support of a powerful committee chairman who may have influence at the agency in Washington or the support of a key high official in the administration; or horse-trading — what local politician owes another a favor; or press coverage — who can plant a story that will embarrass either the applicant or the funding agency involved."

The process seldom reaches this stage, however. According to an ACIR survey of clearinghouses, the majority (64 percent) finish at least 80 percent of their reviews within the first 30-day period. Often the

A-95 process takes only a few days as there are no issues involved. The majority of clearinghouses indicated that they held conferences with applicants less than 20 percent of the time and submitted critical comments to the funding agencies less than 10 percent of the time.

Concerning these findings ACIR commented: "This clearinghouse reluctance to make critical or negative reviews . . . may be explained by a number of variables, including the submission of high-quality project applications; the absence of areawide plans, policies or other criteria for evaluating proposals; and the tendency to rubber stamp projects due to limited agency staff, funds and time. Another important factor is the informal consideration and modification of projects before they enter the formal review process."

A Description of A-95 Clearinghouses

Just how the A-95 process functions in a given community depends on the nature of the clearinghouse in an area. There are many differences in clearinghouse structure and procedures since OMB, in an attempt not to impose federal standards on very diverse local governments, said little in circular A-95 about the structure of clearinghouses and the procedures they should use in reviewing applications. "You read all of A-95 and you still won't have much of an idea about what a clearinghouse is," Petkas said. "A lot of things appear to be required by A-95 but they aren't — they are options, they are things that clearinghouses **ought** to do."

Generally, clearinghouses are supposed to be multi-jurisdictional (encompassing several cities, several special districts, etc.), possess a comprehensive planning capability and have some planning and administrative staff. They are usually regional councils (COGs, city-county planning agencies, regional planning agencies), which means that they normally have several functions in addition to serving as the A-95 clearinghouse. Every state has a clearinghouse and there are about 470 areawide clearinghouses. (The National Association of Regional Councils has a directory of regional councils which notes every clearinghouse; 1700 K St., N.W., Washington, D.C. 20006.)

Now there are 198 programs which require A-95 review. GAO has suggested that all federal financial assistance programs should be subject to it.

Most clearinghouses have both a staff and a board (usually consisting of local elected officials) which consider applications. Most clearinghouses were designated by the governor of the state. Each metropolitan area is expected to have only one clearinghouse which oversees the entire area. Rural areas are overseen by regional clearinghouses.

Clearinghouses are financially supported in varying ways depending on what other functions each one has, though usually there is a mixture of local, state and federal funding. The law does not authorize direct federal payments for clearinghouse activities, a fact most clearinghouses complain about. (The federal support that clearinghouses do have is for the other planning functions most clearinghouses undertake.) Some clearinghouses charge applicants fees for reviews, which under the law the applicant does **not** have to pay. But refusing to pay the fee could create unneeded animosity.

The ACIR survey found that in 1972 clearinghouses performed an average of 59 project reviews annually at an average total clearinghouse cost of $8,500. One reason that the cost seems low is that much of the actual reviewing is done by other agencies and would be reflected in their budgets. The averages are not particularly meaningful because of the differences among clearinghouses in size and involvement. Some clearinghouses devote considerable resources to the review process; others do little more than rubber stamp applications.

GAO's CRITICISM OF THE A-95 PROCESS

In February of this year the General Accounting Office (GAO) released a study of A-95 procedures which focused primarily on how effectively the Project Notification and Review System was working. The report noted several problems.

First, GAO found a number of federal programs that have significant impact on communities that weren't covered by circular A-95. This causes participants in the review process to be confused about what programs are subject to review and limits the ability of clearinghouses to oversee important federal assistance activities in their geographic area. GAO suggested that all federal financial assistance programs should be subject to A-95 review rather than the 138 programs then covered.

GAO found that even for programs subject to A-95 review, many projects were not being reviewed because applications did not consistently submit proposals to clearinghouses and federal agencies were not uniformly requiring applicants to conform to PNRS requirements. According to GAO, the breakdowns were caused by "an apparent lack of understanding and empathy at the federal agency level, confusion about program coverage, inadequate federal agency instructions to applicants, insufficient guidance and monitoring by OMB, and general confusion because of the complexities which have crept into PNRS procedures."

In one state (California) GAO found that over one-half of the applications they studied (a total of 344) were accepted by federal agencies before clearinghouses were notified. Federal agencies are supposed to receive applications only after the application has been considered by the state and areawide clearinghouses. GAO noted several cases where grants were made by a federal agency shortly before

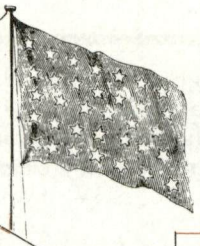
A-95 PROJECT NOTIFICATIO

A=*Applicant;*
CH=*Clearinghouse;*
FA=*Funding Agency.*

APPLICANT

1 A determines if a program is subject to A-95 review. The funding agency will usually provide this information.

2 A notifies CHs of intent to apply for assistance. This is supposed to be done as early as possible. Most CHs have developed their own notification of intent form.*



* *NOTE*
At least a few CHs don't really have a notification stage and will usually review only final applications. Other CHs require final applications for certain programs.

3 CLEARINGHOUSE
CH notifies public agencies that might be interested in the proposed project. Staff of CH often conducts its own review.

4 PUBLIC AGENCIES
Public agencies review proposed project and inform CH of their interest, if any.*

5a If no issues are raised by public agencies or CH, CH "signs off" and notifies applicant. NOTE: The majority of applications do not raise any issues and do not go past this stage of the review process.

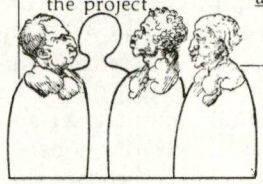
5b If issues are raised CH arranges conferences between applicant and interested public agencies and/or CH staff.*

* *NOTE*
Public agencies and the clearinghouses might find that the project conflicts with or duplicates already existing programs, that it isn't consistent with their planning, that it would be minimally effective, that it would adversely affect the environment, that it would not meet civil rights requirements, etc.

* *NOTE:*
Many CHs have boards which will become involved in reviewing the applications at this stage, i.e., after reviews have been conducted and issues identified. Some CH boards will review all applications at regularly-scheduled meetings, and review of public agencies may be less important if not used at all.

NOTE: At times CH will still review the final application sure that it flects any changes in the project that may have been negotiated.

6 CONFERENCES
Conferences are held between applicant and concerned public agencies and/or CH staff to resolve conflicts and/or strengthen the project.



7a If conflicts are resolved and CH is satisfied with the application, CH "signs off" and A is notified.

7b If conflicts are not resolved . . .

8 CLEARINGHOUSE
CH notifies applicant that it will have comments and requests applicant to submit a completed application for final CH review.

30 DAYS INDETERMINAT

NOTE: At anytime after this point, if issues persist, th... may submit a copy of the completed applicatio... he... which forces the clearinghouse to submit its co... its... within 30 days. But this could alienate the clea...ou...

...N AND REVIEW SYSTEM

Most applications must be reviewed by both an areawide clearinghouse and a state clearinghouse. The areawide clearinghouse involves local agencies and local governments in the review and determines a proposed project's consistency with areawide planning. The state clearinghouse involves state agencies in the review and is concerned with the project's relationship to state planning. The two reviews will usually be conducted concurrently. This outline illustrates how the review process is generally expected to work. Certain aspects of the process will differ with each clearinghouse, thus applicants must determine what the actual practices of their areawide and state clearinghouses are.

APPLICANT
A completes proposal and submits it to FA with statement that A-95 requirements have been met.

9
APPLICANT
A submits application for second 30-day review period during which CH and interested public agencies prepare comments on the proposal.

10
CLEARINGHOUSE
CH has 30 days to submit formal comments to applicant.

APPLICANT
11 Applicant submits application to the funding agency along with all clearinghouse comments and a statement that those comments were considered. Applicant can include a rebuttal to negative comments. ✶

✶ *NOTE: There may be differences between the public agencies reviewing the project and the clearinghouse concerning the merit of the project. If so, all comments must be submitted to the funding agency with the application, which means that comments generated by the review process may be both negative and positive.*

FUNDING AGENCY
FA must return applications that do not offer evidence that A-95 requirements have been met. FA must consider all CH generated comments. However, FA does not have to heed those comments, thus CHs do not have a veto power. If award is made despite CH objections FA must explain why, in writing.

...E PERIOD 30 DAYS

...e applicant
...cle...house,
...to ...plicant
...e s...

NOTE: If the applicant has received no response at all within each allotted 30-day period, it may submit a completed application to the funding agency.

significant clearinghouse comments were received. The grants were not affected.

One reason for the problem, according to GAO, was confusion on the part of many applicants about what PNRS required. Much of that confusion was caused by inadequate and at times erroneous instructions issued by the federal agencies themselves. GAO analyzed the written instructions concerning A-95 procedures that 22 federal agencies gave to applicants (seven agencies gave applicants no written instructions). Only three of the 22 sets of instructions noted all of the requirements of A-95.

GAO also attributed much of the noncompliance to the great differences between the procedures of A-95 clearinghouses, some of which violated requirements in the circular, particularly in regards to the time clearinghouses have to conduct reviews. The concept of two separate 30-day review periods confused many involved with the process. GAO also criticized clearinghouses because they often did not act on critical comments received from a state or local agency about a particular proposal.

The feedback system,where federal agencies were supposed to inform clearinghouses about any action they may take concerning a particular proposal, also was not functioning well according to GAO. Clearinghouses seldom received information about federal agency action on proposals the clearinghouses had reviewed.

GAO was critical of the way OMB had been administering A-95. They felt that OMB should take a much more active role in monitoring the entire process (OMB has only one official involved with the administration of the circular).

"We need to get away from the notion that public officials, merely because they were elected at one point, necessarily reflect the interests and concerns of citizens."

CHANGES IN THE REVISED CIRCULAR

Primarily as a response to the criticisms of GAO, OMB has proposed several changes in circular A-95. The proposed new circular was published in the **Federal Register** on Oct. 10, 1975. It will go into effect on Jan. 5, 1976. In the future OMB will be reviewing the process semi-annually.

Most of the changes are clarifications intended to make the process less confusing and make the responsibilities of the various parties more explicit. For instance, federal agencies are required to return an application to the applicant if there is no evidence that both areawide and state clearinghouses have had an opportunity to review it. This was implied but not stated in earlier circulars. The result should be fewer applications that manage to avoid clearinghouse review.

The description of the amount of time clearinghouses have to review applications has similarly been made more explicit. The new circular also states that applications for renewal or continuation grants must be subjected to clearinghouse review. Such applications were often considered by clearinghouses in the past, but nothing in the old circular specified that they should be.

The revised circular also notes a booklet OMB produced to help explain the review — "A-95: What It Is; How It Works." In the past there was confusion about whether what was said in the booklet had the force of law. Its mention in the circular indicates that it does.

One of the major changes of the new circular concerns a new standard multipurpose form (SF 424) that will be used with all applications for federal assistance. The form is intended to facilitate the flow of information between various government agencies. Applicants will fill in basic information on the form, and, if the program is subject to A-95 review, the applicant will indicate on the form which clearinghouses reviewed the proposal and whether or not they are submitting comments. The federal agency will then use the same form to send information about its actions concerning the application to both the involved clearinghouses and the state's central information reception agency (see related article). It is hoped that the form will result in increased responsiveness by the federal agency and more accurate and complete information.

The new form *may* be used as a notification of intent by clearinghouses, but it doesn't have to be. Clearinghouses may continue to use whatever form they have been using as a notification of intent. The new form is reproduced on page 57 of the NEWS.

Another change in the circular is the requirement that federal agencies publish in the **Federal Register** their regulations implementing A-95. This presumably will give OMB and others an opportunity to comment on the adequacy of each agency's policies concerning A-95.

The circular also notes the expanded role of Federal Regional Councils (FRCs) in implementing A-95 within their regions. (Federal Regional Councils consist of representatives of major federal grant-making agencies. Their purpose is to improve cooperation among federal agencies and between federal agencies and other levels of government. There are 10 FRCs, one in each federal region.)

In July 1974 OMB issued instructions requiring that FRCs take over the coordination of circular requirements at the regional level, and each FRC is supposed to have one person responsible for A-

95. It was felt that implementing A-95 at the regional level would be more effective as the regional administrator of A-95 would be much closer to those involved with the process, particularly since many funding decisions are made by the regional offices of federal agencies.

A new aspect of the circular that will affect private nonprofit organizations is a statement that nongovernmental applicants do not have to submit confidential information concerning their financial status, structure or personnel to the clearinghouse, even though such information may be required by the funding agency.

The new circular also makes more explicit the procedures federal agencies must follow in informing clearinghouses about direct development activities they are planning to undertake (Part II of the circular).

As mentioned earlier, the most important change in the new circular is the increase in the number of programs subject to A-95 review, though that increase is far short of what GAO suggested. Most of the 38 additions are in the area of human resources. Twenty-three are Department of Health, Education and Welfare programs, including Crippled Children's Services, Maternal and Child Health Services, Follow Through, Adult Education-Special Projects, Environmental Education, etc. Many organizations that have never confronted the A-95 process will now have to.

The new circular also requires that the chief executive of a local government be notified of all projects affecting that jurisdiction. The purpose is to increase the involvement of local elected officials in the review process.

Many clearinghouses feel that the changes OMB has made in A-95 are not that significant and will do little to correct the problems that GAO noted. "The new circular won't change a thing," said John Huestis of the California state clearinghouse. "They haven't really changed it. They've expanded program coverage a little but the language is still very permissive — there are an awful lot of 'shalls' and 'wills' and 'mays.' It's just not a very strong document."

"You need to know not only what the charts say about the process but who the players are — the people in the A-95 clearinghouse."

Huestis questions OMB's commitment to A-95. "I think that they realize that it is a bag of worms and they are just kind of treading water on the thing. OMB doesn't carry the clout to make HEW or HUD or any other major federal agency jump. And I don't think that they want to try to exercise their muscle because they probably realize that that would show them as being ineffective as they really are. They are supposed to be the big strong guys — the President's boys. But in a lot of areas they don't carry too much weight."

HOW TO DEAL WITH THE A-95 PROCESS

The key to effectively working with the A-95 review process is learning how your local and state clearinghouse actually functions.

"Reading the circular won't help you much," comments Petkas, director of the Southern Governmental Monitoring Project. "It tells you some of the attributes a clearinghouse ought to have, but you've got to learn how it actually works in your community. You need to know not only what the charts say about the process but who the players are — the people in the A-95 clearinghouse."

Area clearinghouses often have boards which meet to consider applications. Working with the A-95 process thus is very similar to working with any local government and many of the points made in another article in issue 13 of the NEWS ("Finding Funding at City Hall") apply.

Petkas suggests that someone unfamiliar with the process attend A-95 board meetings, which are often open to the public. "You need to let your presence be known." You might also contact other organizations in your area that have gone through the process and ask them about it.

"You need to do fairly simple things," explains V.C. League, who has worked with a number of groups in many Midwestern states that have had applications considered by A-95 clearinghouses in connection with his position as assistant director of the Region 5 Drug Education Resources Training Center. "You need to see what people have been voting on, what they have been approving. And then you need to build some relationships with people that may be potential allies.

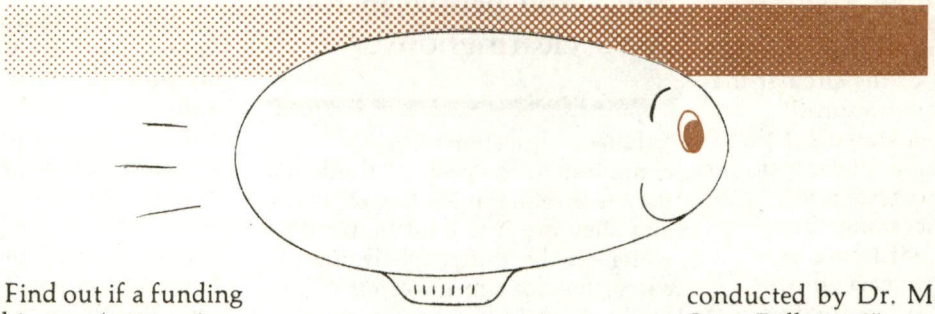
"When a group I was working with recently went before an A-95 committee they had two or three people on the committee supporting them from the start. In some cases people on committees or councils have really been advocates for the program. You need to meet with them and talk about the program. Those things have got to be done on the local level and they haven't been done in some cases because people didn't have to in the past, they could just put a proposal together and send it to Washington."

The need to develop relationships extends to the staff of the A-95 clearinghouse as well. "For one project the professional staff person of the A-95 clearinghouse became almost an ally. We got him involved in the project, we set up meetings so that he could talk with some of the people that would be involved with the project. We made sure that he understood the project because we found that he didn't have any background in this particular area.

"The staff person began to work with the people on tightening up their proposal, he made suggestions about approaching the board, he allowed the group to go before a later board meeting than had originally been scheduled to give them a chance to deal with some problems.

"We were constantly developing a strategy to deal with the process," League continued. "Often you can find connections between your organization and the group you are approaching. I once worked with a

SUGGESTIONS FOR WORKING WITH THE REVIEW PROCESS



1. **Plan ahead.** Find out if a funding program is subject to A-95 review. If so, you usually must submit notification to CH **at least** 60 days before the program's deadlines. (Most federal programs that are subject to review are listed in Appendix I of the Catalog of Federal Domestic Assistance.)

2. **Obtain and read** circular A-95 and OMB booklet "Circular A-95: What it is; How it works."

3. **Learn how the process works in your community and state.** The structure of CHs and their review procedures are not specified in circular A-95, thus they differ widely.

   a. **Talk with CH staff** about the process. Many CHs have a booklet describing their process.

   b. **Ask other agencies in your community** who have had projects reviewed about the process. Try to find out what other activities the CH undertakes and how much power it actually has in your community.

   c. If CH has a board that reviews applications at periodic meetings, **attend some of their review sessions.** They are often open to the public.

4. **Be sure to succinctly state the need for and the objective of the proposed project** when submitting a notification of intent to a CH.

5. If the application is to be reviewed by CH staff, try to talk with them about it. They will often be helpful. Be sure they understand the program area (e.g., drug abuse prevention) and are aware of the need.

6. **Try to find out what the criticisms of those who have reviewed the application are.** Usually CHs will be open about the criticisms. There have been cases however when they haven't. The applicant has a right to know what the criticisms are before they are formally submitted so that the issues can be discussed.

7. **If CH board is going to review your application, try to find out about board members.** Determine who may be proponents and who may be opponents of the project by reviewing their past voting records, if possible. Try to meet with key members to discuss the project. Cultivate potential allies and counter possible sources of criticism.

8. **If you are going to make a presentation at a CH board meeting, be prepared.** In particular, show your organization's credibility, be able to document the need and be clear about your project's objectives. You must know your community. (See article on obtaining local funding in issue 13 of the NEWS.)

9. **Be sure that the CH staff and board understand your project.** You may have to sell them on its potential effectiveness so be prepared to document it (e.g., "A similar program reduced the arrest rate of juveniles in Sylmar by 10 percent according to an evaluation conducted by Dr. Meyers of Cal State Fullerton").

10. If you have problems that seem to be of a political nature **mobilize community support.** A-95 reviews often force organizations to involve more local people and agencies in the project, which can be a positive result.

11. **Be open to changing your project in certain ways.** Don't expect all criticism to be politically motivated or uninformed. Too often organizations become wedded to particular methods or conceptions of the problem. The purpose of A-95 is cooperation, and though that is not always the reality, the review process certainly has had many positive effects.

12. **If CH is not following A-95 procedures, contact the A-95 coordinator at your region's Federal Regional Council and/or OMB** (Intergovernmental Relations and Regional Operations Division, OMB, Washington, D.C. 20503, (202) 395-3000). You may also want to get the media interested in the process.

13. If CH seems to be purposefully delaying your application after the initial 30-day notification period you can submit a completed application, forcing CH to complete its review in 30 days.

14. Often your primary problem will be merely keeping a CH bureaucracy moving. **Call often and ask about what is happening with your application.**

group that had a person on their board of directors who was on the regional planning committee and *they didn't even know it.* Stuff like that happens all the time with groups that I am working with — they would be very connected and not know it."

Part of the strategy must involve knowing what League calls your organization's "currencies of power." "Most organizations ask for money. What I try to do in working with people is to get them to a position where they can negotiate for money, not ask for it. Groups have to realize their 'currencies of power.' Money is not always a currency of power. Information may be one, or skills — anything that your organization has that they want is a currency of power. You have to learn what the self-interest is of the group that you are going before — what do they need that you have. If a gang problem is hurting a city's image and you have a way to deal with that problem, that is your currency of power — you are in a position where you don't have to ask for money, you can negotiate for it. I just think that folks ought to get more into that."

Organizations must also have their project together before going before a review committee or clearinghouse staff members. "You've got to have everything you can and have it tight," says League. Having it tight means developing a good needs assessment, formulating specific objectives, establishing the credibility and accountability of your organization.

"I was recently working with a group that had developed a plan with a university to evaluate their program. They actually had commitments. But in their presentation they didn't provide evidence of these commitments and they didn't indicate enough about how the evaluation was going to be conducted. They weren't together on it and the A-95 committee asked them about it. Fortunately they were given some time to get it together, but an omission like that could have hurt them a lot."

Many times the clearinghouse won't be considering a completed application but only a notification and you won't have to provide as much documentation and explication. But the essence of the project — the needs assessment, your statement of objectives and your credibility still must be strongly developed and communicated.

"Most organizations ask for money. I try to get them into a position where they can negotiate for money, not ask for it."

Another requirement that the A-95 process imposes on applicants is planning — you've got to know that you are going to apply for funding under a particular federal program well before that program's deadlines or you won't have time to process your application through the clearinghouses. (Sometimes clearinghouses will be cooperative and process an application quickly in a tight situation, but you can't rely on it.) Even i a federal agency receives its appropriation for a program only a short time before the end of the fiscal year, applications must still have been processed through the clearinghouses. The revised circular states specifically that applicants and the federal agency are supposed to anticipate the availability of the funds and have applications processed through A-95 before the funding is actually available. In the past, however, OMB has allowed funding agencies in such a situation to receive applications that haven't been processed through clearinghouses as long as the applicant sends a copy of the application to the clearinghouse at the same time and the agency agrees to consider any clearinghouse comments received up until the time it makes a decision. Whether the new language in the revised circular will change this remains to be determined.

There have been cases where clearinghouses have been secretive about the adverse comments concerning an application, refusing to disclose the objections to the applicant and holding up the process for months. Clearly such a situation violates the essence of the A-95 review. The applicant can send an application to the federal agency after both 30-day periods have elapsed (and the applicant can initiate the second 30-day period by sending the completed application to the clearinghouse), but such tactics may alienate the clearinghouse even more. Any such problems should be reported to the A-95 coordinator at the Federal Regional Council and/or OMB. But one thing the GAO report noted was the lack of enforcement of A-95 that has occurred.

Many clearinghouses are not exceptionally efficient, and delays in processing an application result. Delays may be costly if a deadline is approaching. Applicants often must call the clearinghouse several times to keep the process moving.

An applicant that is having problems with a clearinghouse may have to use whatever resources the organization has, primarily its constituency. "Sometimes people have to mobilize the support they always talk about," says League.

Petkas suggests bringing in the media. "I would try to get newspaper people in the community interested in the whole process. There is a tremendous discipline that public officials have when the media is present.

Another problem that applicants may encounter concerns the way their project is communicated within the clearinghouse and between the clearinghouse and those who are going to review the application. Often the staff of the clearinghouse will prepare its own summary of the project, including their comments about the strengths and weaknesses of the project. That summary may then be the way others are informed about the essence of the project.

A group that League worked with recently had that problem. "All of a sudden we weren't dealing with a proposal but with the review and comments that the staff person put together. The problem was that he didn't have any expertise in the area and thus the summary didn't really reflect the project." In such a case the applicant needs to be sure to adequately communicate the essence of the program to the staff person. The applicant should

write a good summary since it may often be used. If an inadequate summary is sent by the clearinghouse to reviewers, the applicant should try to counteract its effects by explaining those points that are not expressed well in the summary when they meet with the reviewers (or the clearinghouse board). You should ask the clearinghouse staff to give you any summary or comments they may have prepared.

A-95 CLEARINGHOUSES — A POSITIVE OR NEGATIVE INFLUENCE?

Since the A-95 review process has been inscrutable even to many who are involved with it, it is no wonder that the process has never been the subject of much public interest and discussion. "There has not been enough debate about it," Petkas said. "It is an issue that only a few academics and a few super bureaucrats have thought much about. More people need to focus on the possibilities and the problems of A-95 and all of regional decision-making. ACIR puts out tome after tome on these issues, but nobody ever really reads them."

Certainly the idea of consultation and cooperation among governments seems sensible, much as the idea that seems to underlie all of new federalism — the need to bring decision-making closer to the people — seems inviolable.

Most people who have looked at the A-95 process have found at least some cases where duplication was avoided and poorly planned projects improved. An ACIR survey determined that clearinghouse activities resulted in a cost savings of $483 million in 1972, though ACIR acknowledges that that figure can be easily disputed.

But trying to quantify the effects of A-95 is deceptive because the real issues do not lend themselves to measurement. Most of the discussion about A-95 must be based on experience and communicated through generalization. Much of that comment focuses on the validity of that basic tenet of new federalism — that local governments are in fact more responsive to the needs of people.

"You have to learn what the self-interest is of the group that you are going before — what do they need that you can provide."

Are Local Governments Responsive to the Needs of People?

"The operation of local governments has traditionally been a relatively closed system," wrote Pablo Eisenberg, director of the Center for Community Change, in an early issue of the NEWS. "Citizens and community groups have enjoyed little or no opportunity to participate in and influence the priority-setting and decision-making governmental processes. A large number of elected and appointed public officials have tended to treat the general public more as an obstacle to efficiency than as clients whose interests they are supposed to protect and serve."

This issue is vital since those involved with the A-95 review process are almost exclusively public officials, many being **elected** public officials. An ACIR survey found that 58 percent of the clearinghouses that responded had **never** involved private nonprofit organizations or citizen groups in reviews of projects.

"We need to get away from the notion that public officials, merely because they were elected at one point two years ago, necessarily reflect the interests and concerns of citizens," Petkas commented. "A-95 sort of assumes that once you get elected officials involved in the process then necessarily it follows that their dedicions are a response to the needs of their constituency." Petkas advocates requiring that a substantial number of people involved in the reviewing process not be professional planners or public officials but "representatives of neighborhood groups and nonprofit institutions and other local nongovernmental agencies.

"Everyone knows generally the way that local governments operate, and that is that powerful interests in the community, except in rare instances, are the ones that are responded to first in local decision-making. We have found this in every community we have gone into the last two summers (as part of the Southern Regional Council's monitoring project). We have seen many cases where A-95 has given political forces an opportunity to kill a grant solely for political reasons.

"What you have to do is build into any institution a system of getting people who aren't part of the dominant economic interest of the community involved in the process. You have to put into the law an affirmative duty on the part of these institutions to involve them."

If private nonprofit groups were put on A-95 boards they may be passing judgment on their own projects, but the same conflict of interest problem exists today. Many clearinghouses have boards composed of elected officials who pass judgment on proposals for their own governments. One researcher cited in ACIR's report found that a major incentive for some localities joining regional councils was to be party to the "politics of negotiation" over projects. "Membership was a sort of insurance policy, in the sense of minimizing the chances that a local grant application would be accompanied by unfavorable A-95 recommendations."

Eisenberg feels that the limited role of private nonprofit organizations and community groups in A-95 is but one manifestation of a trend that threatens to upset the rather precarious balance that formerly existed between the power of local governments and the power of community and citizen groups.

"As long as city and county governments were relatively weak,

had to contend with strong independent local authorities (special districts, independent planning agencies,etc.) and federal programs and had limited control of much of the money channeled into their jurisdictions, this nondemocratic state of local government affairs was tolerable, if not particularly productive.

"The advent of new federalism has upset this balance of power, tilting it heavily on the side of local government bureaucracy and officialdom. Additional authority, control and funds have been concentrated in local governments without regard to their capacity for governance and public accountability."

A-95 in particular has emphasized the dissolution of the power of "strong independent local authorities," encouraging regional planning and general purpose units of government. Petkas thinks that the result will be and in some cases already has been the development of "regional autocracies."

"I think that the purpose of all of this is not so much cooperation as a step towards merging local governments — reducing the number of agencies and jurisdictions that have to do with a specific geographical area. Regionalizing and simplifying may make sense in terms of efficiency, but I am not so sure that I accept the notion that there ought to be metropolitan governments everywhere. I have a certain personal feeling about diversity. If things get too simple then you get autocracy; if you eliminate the overlaps and the conflicts then little people lose control."

Minority Participation is Minimal

Minorities have long been uneasy with regionalism, and concomitantly, with A-95, which Petkas calls a "formalized, federalized version of the way regional governments operate generally." Many decry the ascendency of metropolitan or regional governments at a time when minorities are finally beginning to take political control of the inner city. Minorities have

"A-95's potential for impacting on a variety of federal programs is enormous."

usually had very little power within regional structures.

The reason, according to Charles Harris, is that regional governments are extensions of the existing political structures and thus tend to be establishment-oriented. Harris conducted a study of regional governments and the inner city for the Metropolitan Fund, a study that was cited in the ACIR report. Regional councils usually operate on a one-unit, one vote system, according to Harris, meaning that the many small suburban governments can easily outvote the central city. ACIR commented that: "Without adequate safeguards for the recognition of minority needs through equitable representation and participation, the COG is likely to have negative effects on the black community." The statement would apply equally well to the A-95 decision-making structure.

One of the most significant findings of ACIR's rather exhaustive 1972 survey of A-95 clearinghouses concerned minority participation, or rather the lack of it, in clearinghouses. ACIR found that 93 percent of the staff of clearinghouses were white, a problem that becomes even more severe when one considers the large percentage of projects being considered by clearinghouses that directly affect minority communities.

Not all minority leaders are critical of regionalism however. Some question the value of minority control over the inner city when inner cities have such limited resources. They feel that minorities must encourage regionalism and begin realizing minority influence within the regional power structure. ACIR summarized the position: "If conditions in the central city are to be improved, new financial resources must be found. A metropolitan government would be in a position to mobilize considerably greater resources than a central city in order to solve the most pressing problems in the area."

V.C. League, who is black, is also much less critical of certain aspects of new federalism and the A-95 process, saying that A-95 can be positive "if they don't let it get out of hand and become another bureaucracy.

"My experience of working with people on the local level during the past two years has been that some of these new federalism things have made people get more involved with their communities, they have had to start dealing with some political realities at home, they have had to start putting up the constituencies they are always talking about, they've had to really get their projects together.

"I know that a lot of the groups I work with have been successful in getting revenue sharing money and have been successful in dealing with A-95 boards, and I think that they are going to be more successful now because they have gotten that process down pretty well. But they did have to get those local people writing letters, they did have to attend some meetings — they had to produce, whereas before it was easy to bypass local folk and go right off to Washington. I'm not so sure how good the programs were under that system.

"I've also seen people just having all kinds of hassles with it all. But the projects I've been involved with have been run a little better because they got more people involved on the local level and they have more community interest than if they had just put a proposal together and shipped it off to Washington."

League feels that there should be more representation of community groups on A-95 boards, but he is skeptical of whether such a change would actually be very meaningful. "I can't think how many times I have gone before a Model Cities group or an OEO Advisory Council or a Community Development Agency board and had just as many hassles. There are the same kind of problems."

He feels the real key is to train disadvantaged groups in the skills they need to be effective in working on the local level, skills that they have never had an opportunity to obtain. "Things start happening

"Things really start happening once people get a handle on the process."

Concerning the process itself, Petkas is highly critical. "At present there is an awful lot of paper shuffling that doesn't accomplish anything. Few people take the reviewing process seriously, and if that is the case it is not even accomplishing the purposes it is supposed to, that is resolving intergovernmental coflicts, duplications, etc. Many of the agencies that are supposed to conduct reviews for the clearinghouse don't put a very high priority on it and things pile up. It is just human nature to put aside something that you don't care very much about, especially if you don't think anyone else is going to pay much attention to what you say.

"Many of the problems are just inevitable results of the complexity of the process, its invisibility and the general lack of understanding about it. But what needs to be understood is that A-95's **potential** for impacting significantly on the implimentation of a wide variety of federal programs is enormous." once people get a handle on the process, once they really feel comfortable developing plans, negotiating, etc."

Many would agree with League about the potential of the A-95 process, but are critical about how effectively and efficiently it functions. The problems with the process were the focus of the GAO report (which, very significantly, did not study at all the many criticisms concerning inequitable representation, conflicts of interest, politically-motivated vetoes and bureaucratic hassles that many private nonprofit organizations, minority groups and others have made).

REPRINTS

Reprints of this article are available: 1-10 copies, $1.25 each; 11-25 copies, $1.05 each; 26-100 copies, 95¢ each; 101 copies or more, 80¢ each.

BASIC A-95 BIBLIOGRAPHY

OMB Circular A-95 -

You should have a copy of the circular handy and read through it at least one time. Remember that GAO found that many clearinghouses and federal agencies were issuing inaccurate or incomplete information about the A-95 process. Order from the Intergovernmental Relations and Regional Operations Division, Office of Management and Budget, Executive Office Building, Washington, D.C. 20503 (free). The proposed revised circular A-95 was published in the Oct. 10, 1975 *Federal Register* (Vol. 40, No. 198). The final version will probably be published sometime after the beginning of December.

Substate Regionalism and the Federal System.

This is the first volume of a four-part report of the Advisory Commission on Intergovernmental Relations called *Regional Decision Making: New Strategies for Substate Districts.* Though it was published in October, 1973, this volume of the report offers much interesting information about the A-95 process and about regionalism generally. ACIR reports are generally comprehensive and well documented, and thus the chapter on A-95 includes a long list of references. The report (stock number 5204-00048) is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The price of volume one is $3.80.

OMB Circular A-95: What It is; How It Works

This booklet adds a great deal of detail to what is said in circular A-95. The revised circular, which went into effect about Jan. 5, 1976, mentions this booklet, thus giving what is stated in it the force of law. Order from OMB.

Improved Cooperation and Coordination Needed Among All Levels of Government — OMB Circular A-95

This is the General Accounting Office report on A-95, which was issued in February, 1975. It offers an insight into how the review process has actually been fluctuating. Order report GGC-75-52. Public officials, the press, college libraries, faculty members, students and nonprofit organizations can receive GAO reports at no cost. They should request the report from U.S. General Accounting Office, Distribution Section, Room 4522, 441 G Street, N.W., Washington, D.C. 20548. GAO reports are $1 a copy to the general public. If you have to pay for a report request it from the U.S. General Accounting Office, Distribution Section, P.O. Box 1020, Washington, D.C. 20013.

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Guide to Accounting for Nonprofits

By Patricia Jenkins
Patricia Jenkins, a free-lance writer and editor, was formerly associate editor of the NEWS.

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"If you don't number your transactions, someone else may number your days."
—Old CPA Proverb

Let's be honest. For most people, accounting is boring. Particularly for people engrossed in such heady activities as changing society or helping people, balancing books and preparing financial statements seems far less important than delivering services and developing position statements.

After all, the most important thing about money is getting it, isn't it?

Well, you certainly can't do much without money. But if you don't do certain things after you get it, you just might not get any more.

Which brings us to this article. It discusses, very basically, what those certain things are. To be honest again, it's not beside-the-fireplace reading. So don't read it beside the fireplace (you might be too tempted to use the article as kindling). But if you are in any way involved with the planning, financing or operating of a nonprofit organization, do read it.

Why? Well, for basically two reasons: (1) the carrot; (2) the stick.

First, the stick. If your organization does not have adequate accounting procedures and you are unlucky enough to be audited (something the IRS is starting to do far more frequently) you could be in a lot of trouble. If you have a government grant and get audited, you might have to start a direct mail fund-raising campaign awfully quickly. Or go back to selling shoes.

Also, if you're the executive director of an organization and one of your board members, after playing a round of golf with an accountant friend, starts asking some difficult questions, you could be, "in the best interests of all concerned," asked to leave. If you're a board member and you don't ask those difficult questions, you might not have any organization to oversee (and no one to play golf with). The stick can indeed be thorny.

But there is also the carrot. If your organization has an adequate accounting system, you have a far better chance of going to the bank buoyed by the confidence and exhilaration that a payroll check you know isn't going to bounce can give you. An effective accounting system can help you make decisions by providing essential financial information. It can help (indeed force) you to plan more effectively (which means more effective programs, which means you feel good, which means you work more effectively, which means more effective programs and so on).

Also, proper accounting can increase the confidence of your organization's constituency, including clients, community supporters and funding sources. It can foster an attitude of professionalism that can permeate an organization and improve all of its activities. In a more abstract sense, it can do much to eliminate abuses in a field that is critically dependent on the confidence and support of the public.

And finally, if you read the article, you can make an awfully good impression at the next staff meeting when you patiently explain the difference between accrual and cash basis accounting.

The intent of this article (which will be in two parts to create some suspense and give you a rest) is to provide non-accountants with a basic introduction to the principles and issues of accounting. It will attempt to bring some clarity to a field that is often characterized by obfuscation and fuliginousness.

It will discuss the four basic elements of accounting: bookkeeping and the maintenance of supporting documents; internal control procedures; financial reporting; and auditing (internal, external or both).

The article will also explain generally how to design an accounting system to fit an organization's needs. Factors that need to be considered include the organization's size, the type and complexity of the program, abilities of the staff, funding sources, tax status, plans for the future and even geographical location (if state or local laws call for special kinds of financial reports from nonprofits).

Only a professional public accountant is equipped to deal with all these factors in designing a particular accounting system, so this article is not intended to teach non-accountants how to do that. Rather, it is intended to provide non-accountants with a basic introduction to nonprofit accounting so that they will recognize its importance, will know where to go for professional assistance, will be able to work effectively with the professional who is brought in and will understand how to utilize the organization's financial records system for the good of the organization.

The article is addressed primarily to people from small and medium-sized nonprofits. People from larger organizations are likely to have access to their own staff accountant. But they, too, may find useful information here—information that will help them in knowing what to ask their accountant and what to expect. —T.S.

Nonprofit accounting is both like and different from commercial accounting. Some of the ways are revealed in a list of functions the nonprofit accounting system is expected to serve:

Internally, the system should provide:

- Fiscal data on which to base budgets and other planning decisions.
- An accurate record of incoming money and in-kind contributions.
- Continuous recording and control of expenditures.
- Periodic comparisons of actual income and expenditures with budgeted expectations, broken down into budget categories.
- Cost information for program evaluation.

So far it sounds very much like the accounting needs of a business, but there is another dimension:

Externally, the nonprofit accounting system should meet the requirements of:

- Major funding sources (foundations or government agencies, many of which have specific requirements related to effective management controls, documentation of matching or cost-sharing agreements, proper use of restricted funds, auditing and reports).
- Individual and corporate contributors (who should have access to facts on fund-raising costs as well as complete, easily understood reports—both financial and programmatic).
- Government regulatory and tax bodies—federal, state, local (which also have very specific requirements that often go beyond the demands made on commercial entities).
- The public (for documentation of the stewardship—the safeguarding and effective use—of tax-exempt funds).

It is mainly the external accountability requirements that make nonprofit accounting different. While commercial entities are oriented toward profits, nonprofit organizations are concerned primarily with effective programming. While commercial accounting tries to show maximum profit for stockholders, nonprofit accounting must satisfy outsiders that the money entrusted to the organization has been properly spent.

Donors often require that a gift be used only on a specific aspect of the organization's program, and the accounting system must monitor that restriction. Exemption from taxes brings additional limitations on the use of nonprofit funds, and financial records must demonstrate that the requirements were met (for instance, lobbying expenditures must be documented).

When Should the Accounting System Be Reviewed?

Though board members should be continually aware of financial management, there are particular times when the financial management system should be reviewed closely. The following situations won't always require major changes, but they usually will require attention:

"A new organization should establish its bookkeeping practices so that anticipated expansion won't necessitate basic changes."

- **When a new organization is being set up.** Although it is best to keep the accounting system as simple as practicable, it is also important to avoid the need for frequent major changes. A major change not only disrupts the staff and increases the chances for error, it also makes financial reports difficult to compare from year to year. Hence, a new organization should establish its bookkeeping practices so that anticipated expansion won't necessitate basic changes. The system should be designed with the help of a public accountant who has been fully briefed on where the organization expects to be in a year.
- **When a new type of funding will be sought.** The first successful application for government or foundation funding may bring with it new financial management or reporting requirements. The best time to make major changes in the financial management system is at the beginning of the fiscal year in which the grant funds will arrive. So the financial management review may need to precede the decision to apply for such funds.

The best way to find out what may be required if you get a grant is to ask the funding source directly. For federal agencies, Circular A-110 from the Office of Management and Budget is a good place to start (see box on page 14). Also, federal funding agencies issue their own regulations for the programs they administer. Luckily, many of these agencies have their own accounting manuals geared for the kinds of organizations they deal with.

It is more difficult to generalize about foundations, because some make almost no demands while others carefully investigate prospective grantees. Some foundations even provide technical assistance to help recipients establish or improve their financial management system. When you approach a foundation, don't hesitate to ask about this subject.

Mass appeals for individual donations bring different sorts of financial management problems. Internal controls over the handling of incoming money may need tightening. You may need to bring accounting practices into line with the audit guides of the American Institute of Certified Public Accountants to obtain official approval (known as an "unqualified opinion") of your finances when audited. You may also subject the organization to additional state or local regulations. The local United Way organization should be able to direct you to the proper authorities to find out what is required in your community.

- **When significant growth takes place.** Sometimes this happens so gradually that it almost isn't noticed. In such an instance, the organization may already be in financial difficulty before anyone realizes that the accounting system was inadequate to reveal too-rapid spending or inadequate receipts. To avoid such a rude shock, board members should always consider this point when they

review the annual financial statement.

When growth is sudden and spectacular, the problem can be even further aggravated by the increased demands on staff, which means even less time to review or revise accounting procedures. That's like ignoring a bad cold because you are busy; instead of two days at home nursing the cold, you may spend two weeks in the hospital recovering from pneumonia.

- **When a new program area is being added or a major addition to buildings or equipment is planned.** Such decisions are particularly crucial to your accounting system if it is your first expansion beyond a single program or the first acquisition of a major fixed asset. Say, for instance, you have just acquired a building. This will immediately require a switch to multiple-fund accounting, and thus you will need a new chart of accounts, additional bookkeeping records and a new format for financial statements. Just the mechanics of shifting money from one fund to another will create the new complications. A small organization will quite likely have to hire a professional bookkeeping staff to replace the volunteer or secretary who was doing alright with the simpler set of books.
- **When your bookkeeping method just doesn't answer questions or suddenly there's no money to pay bills.** Obviously if there is suddenly not enough to pay bills and everyone is caught by surprise, something is wrong with your financial safeguards. If a staff executive is able to abscond to South America with half the budget, something is wrong. But the need for bookkeeping review might be indicated by something less obvious. Say a board member wants to know about unit costs for a particular service program and the accountant can't answer the question. This could be a sign of potential trouble, at least.

Standards for Nonprofit Accounting

Until quite recently, accountants had to meet the special needs of nonprofit accounting without benefit of professional guidelines comparable to the "generally accepted accounting principles" that commercial accountants worked with. The result was a hodge-podge of conflicting approaches that often obscured more than they revealed (sometimes with deliberate intent). The board might, for example, bury excess income in a separately reported building fund or "contingency reserve" to prevent prospective donors from knowing that large sums were available for the organization's program.

Between 1972 and 1974, the American Institute of Certified Public Accountants (AICPA) began to remedy this problem. AICPA issued four "audit guides," setting standards of generally accepted accounting principles for four large groups of nonprofits: hospitals; colleges and universities; voluntary health and welfare organizations; state and local governments. A fifth audit guide to cover all other nonprofits is presently being developed (see issue 19), but it will not be finalized until the end of 1978.

Although these guides have much in common, they do not agree in all details. One recommendation of the Accounting Advisory Committee of the Commission on Private Philanthropy and Public Needs (the Filer Commission) was that a single uniform set of nonprofit accounting principles be developed. Although some organizations covered by the existing audit guides strongly oppose this recommendation, it still is likely that uniformity will come some day. The fifth audit guide, with its flexible approach that meets the needs of organizations as diverse as a country club, a science museum and a community action agency, may be blazing the trail for the eventual consolidation.

"A financial management review may need to precede the decision to apply for government or foundation funds."

Meanwhile, if a nonprofit organization wants an independent auditor's "unqualified opinion" endorsing its financial statements, it must ascertain which guide is appropriate and conform to those principles.

For the large number of organizations that will come under the fifth guide, there is still some uncertainty. Where doubt exists, such organizations should resolve each issue in favor of what will provide the fairest, most complete and easiest to understand financial reports. It is always a good idea to obtain the advice of a certified public accountant, preferably the one who will be conducting your audit.

Fund Accounting

The most important difference between commercial and nonprofit accounting principles is the concept of fund accounting, by which nonprofit organizations keep track of donor-restricted funds and make distinctions between assets freely available for current programs and those legally tied up in such things as endowment or special building funds.

An organization that operates one program without major capital investment in plant or equipment will have only one "fund"; its bookkeeping will not be significantly different from that of a small business. The chief difference is that instead of "profit and loss," the nonprofit will report a "fund balance."

Where more than one fund is needed, the nonprofit organization, in effect, establishes a separate set of books for each fund (although the separation may be accomplished through the chart of accounts with its numbering code rather than through physical separation of the bookkeeping).

A separate fund is established for each donation for which different limitations are specified by the donor. (Where several donors specify the same limitations, their contributions are pooled in the same fund, as happens, for example, when an organization runs a special building-fund appeal.) Separate funds may be established also for special purposes such as building construction and maintenance. Thus one organization could have dozens of different funds in its bookkeeping system, a situation that would be impossibly confusing if each were to be reported separately in financial statements.

To avoid such confusion, similar funds are lumped together in financial reports. The number of fund categories depends on the complexity of the organization. The most important consideration is to make the financial report not only a fair and revealing statement of the fiscal operations of the organization, but also understandable to a normally intelligent member of the general public. Among fund groupings often used in financial statements are these:

General Fund, also called Current Fund, Unrestricted Fund, or Operating Fund — includes all unrestricted contributions, gifts and income.

Restricted Fund — includes all contributions, gifts and income designated by the donors for specific purposes. This fund is sometimes split into "Current Restricted Fund," including resources for one or another aspect of normal program activities in the current year, and "Other Restricted Funds," including special designations not part of the regular program, resources for use at a later time and (if there is no separate fixed-asset fund) donations for building, land and major equipment.

Endowment Fund — includes assets donated with the stipulation that only the income earned may be used.

Board-Designated Endowment Fund — includes funds set aside by the organization's board from which only the income is used. Only the college and university audit guide permits this fund to be reported separately from the general fund. The other guides consider such separation to obscure the fact that the board is free to utilize these funds for current expenses whenever it wants to do so.

Fixed-Asset Fund, also called the Land, Building and Equipment Fund or the Plant Fund—includes the net investment in fixed assets and those unspent resources whose donors specifically wanted them used for buildings, land or equipment. The fixed-asset fund, however, does not include real estate donated for its income-producing qualities. Only those buildings used directly in the program can be included in this fund. Some authorities don't approve of this bookkeeping category and think it would more accurately be split between the general fund and the restricted fund. Buildings and equipment, they point out, are as essential to programs as salaries and supplies. Yet only the hospital audit guide specifically bans this fund.

Custodial Fund, also called Agency Fund — includes assets received to be held or disbursed only on instructions of the person or organization for whom they are held. Funds held by a college for a student organization or a research grant held for the use of a particular investigator would be examples.

Although the fund concept will continue to be basic to nonprofit bookkeeping, the trend is clearly toward simplifying its application in financial reports. The proposed draft of the new audit guide, in fact, encourages some nonprofits to reduce the fund categories to just two: "expendable" and "nonexpendable."

Problem Areas of Fund Accounting

The transactions most likely to pose problems in fund accounting are transfers of sums from one fund to another. The organization's board, for example, may transfer money from the general fund to the building fund or from a board-designated endowment fund to the general fund. Such transfers should never be reported as expenses, but should be clearly revealed as the paper transactions they are.

Other types of transactions that should be treated as transfers are: payment by one fund of expenses that are later charged to another; depreciation that is entered in the general fund as an expense, then transferred to the plant fund; transfer of investment income from an endowment fund to either the general fund or a specified restricted fund. Malvern Gross' book, *Financial and Accounting Guide for Non-Profit Organizations,* is particularly good in explaining how to handle the different kinds of transfers both in bookkeeping and in financial reports.

Interfund borrowings (which ought not to be used unless the means to repay them are clearly foreseeable) should not be handled as transfers unless it becomes evident that funds expected for repayment will not be available after all. Before resorting to this type of financial maneuver, a board should obtain legal advice to be sure the contemplated "loan" is permissable. Interfund borrowing of money raised for a building fund, for example, to pay expenses of current programs may be questionable or even illegal. Where interfund borrowing from restricted funds is permissable, it may be appropriate to pay interest on such loans.

Another practice that presents difficulty in fund accounting is "appropriations" — the setting aside by the board of unrestricted funds for a special purpose. Such transactions can by very confusing. To keep their nature clear, they must never be reported as expense until actually used for the designated purpose. Gross gives the following example to show how an appropriation can be clearly entered in financial reports:

STATEMENT OF INCOME, EXPENSES AND APPROPRIATION
Year Ending December 31, 1972

Income	$100
Less—expenses	80
Excess of income over expenses	20
Less—Appropriation for Project A	(15)
Excess of income over expenses and appropriation	$ 5

BALANCE SHEET
December 31, 1972

Cash		$100
Other assets		100
Total assets		$200
Accounts payable		$100
Fund balance		
Appropriated-Project A	$15	
Unappropriated	85	100
		$200

Although none of the audit guides prohibit appropriations, Gross is one authority who strongly discourages use of this device. After pointing out that a board can set aside funds for a reserve or for a future purpose without any bookkeeping entry, he says:

> "Appropriation accounting is one of the devices frequently used to keep the [financial report] reader from knowing what the income or deficit actually is. When the organization has a valid purpose in raising money it should be able to convince those from whom it is soliciting that it needs their help. When the organization has a surplus and would not be able to raise funds if the contributor realized this, then the organization probably has no right to the contributor's gifts."

What Type of Bookkeeping?

Just as the nature of the organization determines whether it needs to use fund accounting, so does it determine in large measure the type of bookkeeping needed. The general rule is that the bookkeeping system in use should be the simplest one that meets the needs of the organization.

There is no virtue in having complex, full-accrual bookkeeping (which generally requires continuing attention from a highly skilled and high-priced professional) when adequate records and reporting can be accomplished with a modified-cash system maintained part-time by a volunteer or secretary with a little assistance from a consulting accountant.

Nor does it make sense for a new organization that expects to grow rapidly in several directions to start out with its accounting records on check stubs, even though such a system might be completely adequate for a small, simple organization that will never write as many as a dozen checks a month.

Cash vs. Accrual

The first option to resolve in setting up bookkeeping is whether the records will be kept on a cash basis or an accrual basis. This is another place where nonprofit accounting often differs from commercial accounting. The latter amost always is maintained on the accrual basis while most nonprofits (the exceptions generally being large institutions) use cash-basis accounting.

The basic difference between cash and accrual accounting is when a transaction is recorded. In cash accounting, income is counted when a client's fee is paid, when a donation comes in or when a grant check is received. An accrual system records the fee as due when the service has been performed (as well as noting when it is paid); it records a pledge as income due (as well as clocking in the actual payment); and it acknowledges availability of a grant when notice of its approval is received from the donor.

Expenses are treated similarly. In cash accounting, an expense is noted when the bill is paid, but an accrual system records the account as payable as soon as the item or service is received.

Clearly, then, the accrual system gives a more accurate picture of current financial conditions for

"The board might bury excess income in a separately reported building fund to prevent prospective donors from knowing that large sums were available for the organization's program."

organizations that have delayed receipts or disbursements. In addition, cash accounting can not record certain important financial activity where no cash changes hands. An example is depreciation, the accounting device by which the value of a major fixed asset (such as a station wagon) is gradually written off the books as it wears out. Another example is the obligation entailed every time payroll checks are drawn up and employees are credited for income tax withheld. This obligation is not recorded in a cash-basis accounting system until it is actually paid to the IRS. Failure to reserve enough cash to cover these payments has done in many a nonprofit organization (and many a small business, too). Thus, cash basis accounting has drawbacks that make it inappropriate for some organizations.

On the other hand, it is much simpler than accrual accounting. A non-accountant can easily understand and keep records on a cash basis, and keeping records takes much less time than accrual bookkeeping. Even an organization with professional accounting staff may have good reason to use the cash system because of the financial savings it can realize.

For these reasons, a nonprofit organization probably should look first at cash-basis accounting and turn to accrual accounting only if the cash-basis system is inadequate. It will be inadequate if there often are substantial unpaid bills or uncollected income at the end of the organization's reporting periods and if these amounts differ substantially from period to period.

The decision on cash vs. accrual bookkeeping is not a simple either-or choice. There is, in fact, a continuum of choices from the very simplest cash basis system to various combinations of cash and accrual and finally full accrual. Any of these systems can be adapted to fund accounting (though an organization that needs to set up funds will probably not find the simplest cash system adequate).

Whatever level of complexity is chosen, the bookkeeping system involves three basic steps:

- Recording each transaction systematically (usually done in books called journals).
- Grouping like transactions together (usually done in books called ledgers).
- Converting the accumulated records into financial statements.

Here is what's involved in accomplishing these steps in various systems, starting with the simplest:

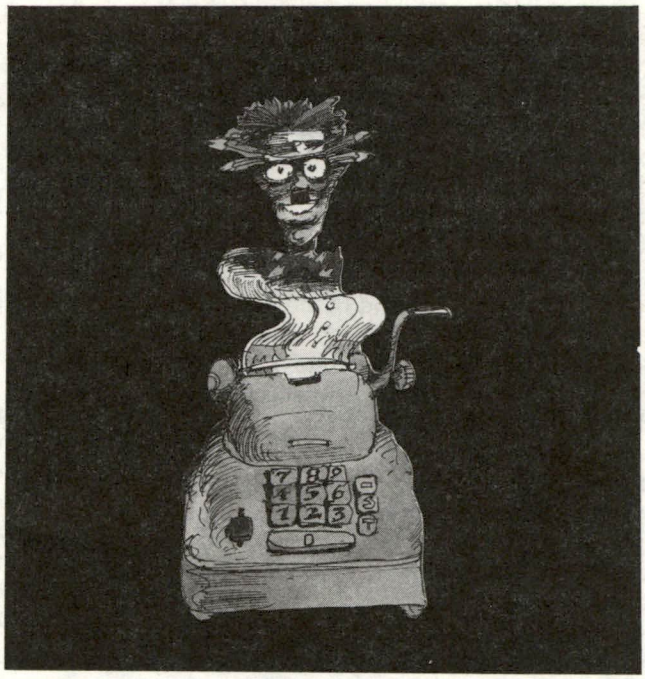
Checkbook Cash System

In the simplest cash-basis bookkeeping system, neither journals nor ledgers are used. The initial recording of all transactions is done on the checkbook stubs through notations giving the object of each disbursement and the source of each deposit (with cross-reference, where

Federal Requirements for Financial Management

Any organization that receives federal funding must be able to show that its financial management system meets the following standards, listed in Office of Management and Budget Circular A-110 (the entire circular, which sets uniform financial management standards for federal grants to nonprofits, was discussed in an article in issue 18). The system must provide:

- *Accurate, current and complete disclosure of the financial results of each federally sponsored project or program in accordance with the reporting requirements set forth in Attachment G to this circular (Attachment G specifies what reporting forms must be used and calls on funding agencies to define when and how, within certain limits, the reports must be filed). When a federal sponsoring agency requires reporting on an accrual basis, the recipient shall not be required to establish an accrual accounting system but shall develop such accrual data for its reports on the basis of an analysis of the documentation on hand.*
- *Records that identify adequately the source and application of funds for federally sponsored activities. These records shall contain information pertaining to federal awards, authorizations, obligations, unobligated balances, assets, outlays and income.*
- *Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.*
- *Comparison of actual outlays with budget amounts for each grant or other agreement. Whenever appropriate or required by the federal sponsoring agency, financial information should be related to performance and unit cost data.*
- *Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by the recipient, whenever funds are advanced by the federal government. When advances are made by a letter-of-credit method, the recipient shall make drawdowns as close as possible to the time of making disbursements.*
- *Procedures for determining the reasonableness, allowability and allocability of costs in accordance with the provisions of the applicable federal cost principles (which have recently been proposed for most nonprofits) and the terms of the grant or other agreement.*
- *Accounting records that are supported by source documentation.*
- *Examinations in the form of audits or internal audits. Such audits shall be made by qualified individuals who are sufficiently independent of those who authorize the expenditure of federal funds, to produce unbiased opinions, conclusions or judgments. They shall meet the independence criteria along the lines of Chapter 3, Part 3 of the U.S. General Accounting Office publication,* Standards for Audit of Governmental Organizations, Programs, Activities and Functions. *These examinations are intended to ascertain the effectiveness of the financial management systems and internal procedures that have been established to meet the terms and condition of the agreements. It is not intended that each agreement awarded to the recipient be examined. Generally, examinations should be conducted on an organization-wide basis to test the fiscal integrity of financial transactions, as well as compliance with the terms and conditions of the federal grants and other agreements. Such tests would include an appropriate sampling of federal agreements. Examinations will be conducted with reasonable frequency, on a continuing basis or at scheduled intervals, usually annually, but not less frequently than every two years. The frequency of these examinations shall depend upon the nature, size and the complexity of the activity. These examinations do not relieve federal agencies of their audit responsibilities, but may affect the frequency and scope of such audits.*
- *A systematic method to assure timely and appropriate resolution of audit findings and recommendations.*



Many federal funding programs have regulations that spell out more specifically how funded organizations must meet some of the general objectives cited here.

appropriate, to bills, vouchers or other supporting documents filed elsewhere).

For the system to work, all receipts must be deposited intact and all disbursements must be by check. You can't direct a donation made in currency to use as petty cash, and volunteers can't pay for needed supplies out of their own pockets and say "forget it." If they want to donate the items they must take reimbursement by check and return the money as a donation.

At the end of each accounting period, transactions from the checkbook are summarized on a worksheet. It may be possible to handle a whole year's summaries on one worksheet if it has enough columns so that one can be allotted to each major category of income and expense. Then each month (or other period) is allotted one horizontal line. For each category of income or expense, all receipts or disbursements for the period are added together, and the total is entered on that line under the proper column heading.

If the headings are made to match the breakdown of the annual financial report, it is then a simple matter to total each column at the end of the year and transfer the totals to the financial report. However, if the financial report is to provide an accurate record for the year, every effort must be made to collect all accounts due and pay all outstanding bills before preparing the year's final worksheet.

If the organization employs paid staff, one other record must be kept—a payroll register that lists for each employee in each pay period the gross pay, each deduction or withholding item and the net amount paid. The payroll register is used to determine how much is owed the government for each employee when payroll taxes are due and to prepare the employees' W-2 forms in January.

This very simple bookkeeping system is not even mentioned in many accounting manuals prepared for nonprofit organizations, but it can be adequate for many organizations, and may be a godsend when the organization depends on a volunteer treasurer to keep the books. The limiting factor is not, as one might think, the size of the organization. Rather it is the number of transactions that must be recorded. If the number of checks or deposits grows much beyond a dozen or so per accounting period, it becomes cumbersome to do the worksheets and chances for error increase sharply. The organization should then switch to more formal bookkeeping.

Double-Entry Bookkeeping

Although it is possible to set up formal books on a single-entry system which, like the checkbook stubs, simply lists each transaction, it is far preferable, whether books are kept on a cash or accrual basis, to use what is called double-entry bookkeeping. The chief advantage of the latter is that it checks itself and any errors in recording or arithmetic are revealed by "unbalanced" books and can be corrected at the end of each accounting period.

A double-entry system involves four major categories of accounts—assets, liabilities, income, expenses. Each transaction increases or decreases two of these categories. The changes are recorded as "credits" or "debits," depending on the direction of change and the category. Each transaction is entered once as a credit and once as a debit which is the reason the books, if properly kept, will "balance," that is, have credits that exactly match their debits.

Contrary to the instincts of a non-accountant, an increase is not always a credit nor is a decrease always a debit. The following chart summarizes the rules:

Rules for Double-Entry Accounting

Account Category	To Increase You Add a	To Decrease You Add a	Normal Balance
Assets (cash, accounts receivable, inventory, prepaid expenses, fixed assets)	debit	credit	debit
Liabilities (accounts payable, accrued liabilities, bank loans payable, long term debt	credit	debit	credit
Income (contributions, sale, receipts)	credit	debit	credit
Expenses (salaries, supplies, cost of goods sold, taxes)	debit	credit	debit

Double-entry accounting books are set up in paired columns with debits always to the left and credits always to the right. (A third column for a running balance often is added.) Each transaction is recorded in one account category as a debit and in another category as a credit—sometimes with one of them split among several accounts, as when a petty cash entry is credited wholly to the cash account (to decrease it), but is debited to several expense accounts (to increase them). When the books are "balanced" at the end of the accounting period, but credits and debits are not equal, you know there is an error in "posting" (entering the transactions to the various accounts) or in arithmetic.

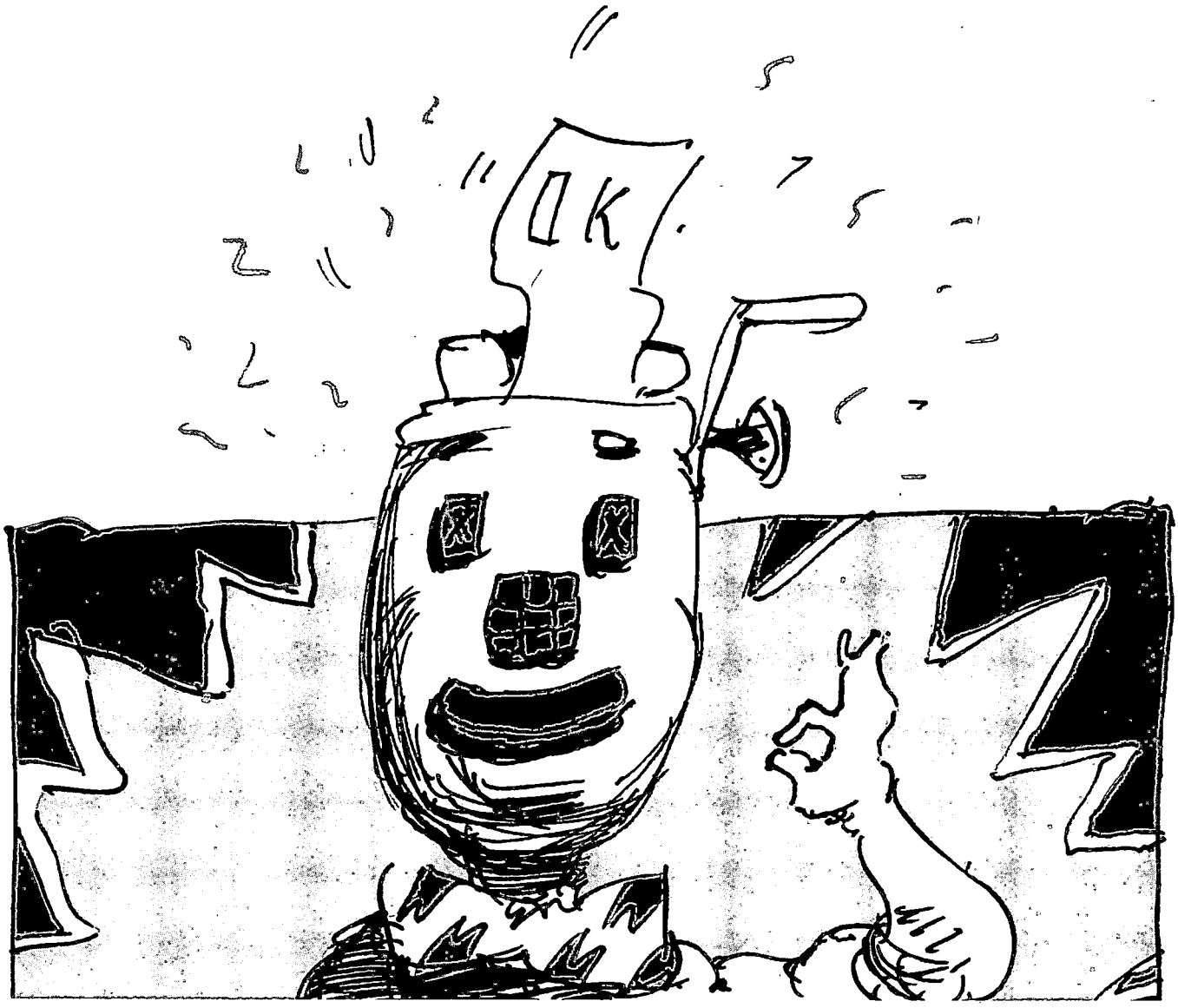
Once an accountant has set up the books, any reasonably intelligent person can learn to handle the double entries quite easily for routine transactions. The accountant's special knowledge may be needed, however, when something unusual comes up, or to compensate for errors at the end of an accounting period. For that reason, it is important for a nonprofit organization to have available the consulting services of an accountant who is familiar with its financial transactions.

Several of the publications listed in the bibliography explain more fully how to operate a set of double-entry books. The ones that do this best are noted.

Cash-Basis System with Books

Four sets of records are kept for a cash-basis system:

- **Cash Disbursement Journal.** Each check disbursed is recorded in a separate book, usually on wide sheets with numerous columns so that the disbursement can immediately be allocated to the various expense categories. Usually a new page is used for each accounting period.
- **Cash Receipts Journal.** This book is organized in the same fashion as the disbursement journal. Both have one miscellaneous column, which catches everything that doesn't fit any other column. When the accounts are totaled at the end of the period, the miscellaneous column is analyzed and either broken down into



additional categories or retained as a lump sum in a "miscellaneous" category.

• **General Journal.** This is where the system becomes more versatile than the checkbook system. The general journal makes it possible to record noncash transactions, such as the switch of an expense item from one account to another to correct a posting error; or logging donated services and materials that must be included in financial reports; or recording the debits and credits needed to "close" the books at the end of the year by transferring the excess or deficiency in each account to the "fund balance" account.

• **General Ledger.** In the three journals, the transactions are listed chronologically as they occur. The general ledger is where all the activity of each account is brought together. There is a separate page for each of the various asset, liability, income and expense accounts — a page, for example, for each bank account, one for each client's bill payments, one for rent, another for office supplies, etc. Transactions are posted (once as a debit and once as a credit) to the general ledger from the various journals at the end of each month.

Also needed is a payroll register like the one described for the checkbook system.

Straight cash-basis accounting is fully adequate only for organizations that rarely have significant amounts of income due or bills yet to be paid at the end of the accounting periods. Such unpredictable variables may distort the financial picture so much that the organization cannot budget rationally and outsiders cannot judge performance adequately. Also, with such a system it is relatively easy to manipulate the financial picture by advancing or delaying a few key financial transactions.

For these reasons, all of the audit guides require that annual financial reports (though not necessarily bookkeeping) be done on the accrual basis. Such a requirement often can be met quite easily by adjusting the year's final cash income and expense totals by:

• Subtracting amounts collected and adding amounts paid that were obligated the previous year; and

• Adding amounts still to be collected and subtracting amounts owed that are attributable to the present year's activity.

Such an annual accrual adjustment is adequate for small and medium-sized nonprofits that can sufficiently control their financial position without having accrual data available with each monthly statement. The person preparing the monthly statements can help greatly by calling attention to unusual outstanding bills or anticipated income. It also helps to have payroll periods

"A simplified accrual system could be adequate for any organization whose financial transactions are simple enough to be handled day-to-day by a nonprofessional."

coincide with financial reporting periods, so that this major expense will be evenly distributed among the monthly statements.

If such devices become difficult or impossible, there is one further step that can be taken before adopting accrual accounting—a part cash/part accrual system also called "modified cash-basis accounting." In this system, the records remain basically cash-basis, but a few selected transactions are recorded on the accrual basis, the chief criteria for selecting them being that the amounts involved are significant and that the transactions are certain to go through. Examples are unpaid bills, payroll obligations (if pay periods do not coincide with reporting periods), and annual or semi-annual insurance fees. If more than one or two such items are significant it is probably time to consider a switch to accrual accounting.

Simplified Accrual System

The least complicated accrual bookkeeping has much in common with the cash-basis system. Records are kept through the month on a cash basis, with accrual entries being made at the end of each month.

The set of books required include the four used in the cash system plus a payroll journal (which is different from the payroll register for a cash system), a fixed-asset and depreciation ledger and an investment ledger, if appropriate. In contrast to the cash-basis system, payroll checks are not included in the cash disbursement journal, but are recorded, along with tax and withholding obligations, directly in the payroll journal. Month-end accrual adjustments for the payroll are also made there.

Other month-end accrual adjustments are entered in the general journal. The most common accrual adjustments are (1) unpaid bills, (2) unpaid salaries, (3) uncollected fees for goods and services, (4) uncollected pledge income, (5) depreciation expense, (6) inventory and prepaid expenses.

The problem in this system is how to handle actual disbursements when bills are paid; something must be done to avoid counting them twice since they have already been entered in the month-end accrual adjustments. The solution is to reverse all the accrual entries at the beginning of the next month, thus returning the books to a cash basis.

The beauty of this system for small or medium-sized organizations is that the day-to-day bookkeeping can be handled quite adequately by a nonprofessional bookkeeper, and all of the accrual work can be done by an accountant putting in only a few hours per month. The key to making it work smoothly is systematic filing of the documents needed by the accountant to determine what accrual entries are required.

A simplified accrual system should be adequate for any organization whose financial transactions are simple enough to be handled day-to-day by a nonprofessional. It may save time and trouble also for some organizations large enough to hire a full-time bookkeeper or accountant. When the month-end accrual adjustments get cumbersome because of the large number of transactions, however, a full accrual system is needed.

Full Accrual System

A full accrual accounting system requires several additional books beyond those needed for the simplified accrual system. The new books include:

Sales (or Accounts Receivable) Journal. All sales of goods or services are recorded at the time they are made. Donation pledges may also be handled here.

Accounts Payable Journal. Each obligation is recorded at the time a bill or invoice is received from the vendor.

Accounts Receivable Subsidiary Ledger. This book records all amounts owed to the organization. It has a page for each person or entity from whom money is regularly received.

There are also some differences in certain books found in the other systems. Much of what was recorded in the cash receipts journal and the cash disbursements journal in the simpler systems, for example, now is handled through the sales journal and the accounts payable journal.

Since a full accrual system is unlikely to be administered by anyone other than an accounting professional, there is little point in discussing its operation here. Anyone who wants to know more will find detailed discussions in Gross' book, in the United Way's *Accounting and Financial Reporting* guide or in some of the federal accounting manuals.

Chart of Accounts

A key part of each of the above bookkeeping systems is the chart of accounts, a formal listing of all the different accounts being used by the organization. It is the classification scheme that guides the second of the three basic steps of accounting—the grouping of like transactions together. If properly designed, it not only makes the accounting system rational but also greatly simplifies the chore of making up financial statements, since it will already have separated items as they will be presented in the statement (and, ideally, will have arranged them in the same order they appear in the financial statement).

A well designed chart of accounts can help the managers of a nonprofit organization in other ways as well. It can subdivide income, expense, assets and liabilities so that an accountant can easily retrieve any fiscal information that may be desired, as long as the need for the information was anticipated when the system was set up.

A good chart of accounts can be refined by adding accounts, but usually it can only retrieve information it's designed to give. For example, if the chart of accounts lumps all office supply expenses together, it is very diffi-

Sample Chart of Accounts

This chart of accounts was designed for a community legal services agency. It is from the Ohio Legal Services Association's program development manual. Note that numbers have been left open to allow for future expansion. Number 112, for example, is available in case another bank account is opened.

ASSETS

Account Number	Account Name
110	Cash in Bank—operating account
111	Cash in Savings Account
120	Pledges Receivable
125	Interest Receivable
130	Office Furniture and Equipment

LIABILITIES

Account Number	Account Name
210	Accounts Payable
215	FICA Payable
216	Income Tax Withheld and Payable
220	Fund Balance

INCOME AND SUPPORT

Account Number	Account Name
310	Public Support—Contributions
320	Copy Machine Rental
321	Interest Income
322	Fee Income

EXPENSES

Account Number	Account Name
410	Salaries—Professional
415	Salaries—Office
420	Payroll taxes
430	Employee benefits
440	Travel
450	Equipment and Supplies
460	Rent
470	Telephone and Telegraph
480	Local Transportation
490	Postage
500	Insurance
510	Depreciation
520	Legal Subscriptions and Dues
530	Awards and Grants
540	Professional Fees
550	Miscellaneous
560	Utilities

cult, if not impossible, to analyze office supply costs for each department or project. If, however, the chart of accounts subdivides office expense by department or project, the information is already there in the accounting records.

At the simplest level, the chart of accounts may be nothing more than column headings for the worksheets used in the checkbook cash accounting system. Such a chart probably will not have a numbering scheme.

The most complex chart of accounts we are aware of is the one developed by United Way of America for its *Accounting and Financial Reporting* guide. The guide's 17-digit numbering scheme provides for every imaginable contingency. (It is, in fact, so overly complex that even many local United Ways decline to use it.)

On this page is an example of a simple chart of accounts designed for the accrual-basis accounting system of a community legal services agency.

The chart of accounts should be designed by the accountant who sets up or revises your accounting system. So that he or she can do it effectively, you should be prepared to answer questions in these areas:

Scope of accounts required. If you are about to launch a fund-raising campaign that will result in the need to keep track of 150 pledges payable in monthly installments, the accountant must know that. He or she also needs to know the scope of your present program and what possibilities exist for future expansion, either in the same area or in different directions. Are you likely to purchase a building (thus raising the need for fund accounting)?

Annual Financial Reports. What should they show? How should the data be broken down? What form should they be presented in? These questions are dealt with more thoroughly in the section on financial statements in the second part of this article. The important thing is that the accountant who designed the chart of accounts knows what financial statements will be needed and what form you want them in.

To some extent, the requirements are dictated by the AICPA audit guides, so be sure that you and your accountant agree on which is the most appropriate guide. Funding sources also have requirements that must be met. Find out in advance as much as you can about the reporting requirements of foundations, government agencies or federated fund-raising groups that you may be approaching for money. Obtain copies of IRS forms and other regulatory agency reports you must file.

Periodic Internal Financial Statements. Just as important are the fiscal-information requirements within your organization. Statements are usually prepared monthly for these purposes, and a good chart of accounts will be planned with their preparation in mind. (These statements generally are closely tied to the organization's budget format, and the NEWS discussed them in some detail in its article on budgeting—see issue 16.) If you are going to want cost information by department as part of your evaluation of executives, that too should be clear to the person designing the chart of accounts.

Next Issue: The second part of this article will discuss financial reporting, internal controls and auditing. It will also include an annotated bibliography. •

part two

In a way the books and financial statements of a nonprofit organization are similar to ancient scrolls written in a long forgotten language—once you penetrate their seeming incomprehensibility, many fundamental things are revealed.

If you can interpret them, a column of figures can tell you far more about an organization than a lofty statement of purpose. Money, as someone said somewhere, talks. It pays to learn its language.

In the first part of this article, the language of bookkeeping was explored. In this final installment, financial reporting, internal controls and auditing are the subjects for translation. And as a further aid, an annotated bibliography notes a number of other publications on nonprofit accounting.

Financial Reporting

An understanding of financial reporting is important even for people not involved in the management of a nonprofit organization. This is because it is in financial reports (which for all nonprofit organizations are available to the public) that an organization stands naked (unless through various machinations it managed to find a blanket to hide under). If one is to see the blemishes or the beauty, one must know how to look.

Financial statements or reports can tell you a number of things about an organization's finances. They indicate the current financial position, changes in that position and results of operations during the previous fiscal year.

This information might be presented in two, three or even more separate statements. Sometimes notes will be added to a particular financial statement to avoid the need for more than one statement. Annual statements will almost always include a Balance Sheet (illustrations 3 and 4), a Statement of Income and Expenses (illustration 1) and a Statement of Changes in Fund Balances (illustration 2), though often the latter two are combined (see illustrations).

The form the statements take is generally less important than how clearly and fairly they convey the desired information. However, each of the three American Institute of Certified Public Accountants' audit guides now in force (for hospitals, colleges and universities, and health and welfare organizations—see bibliography) includes suggested forms for the financial statements with a proviso that they should be modified to fit the reporting organization's situation. Despite that proviso, a CPA auditor may hesitate to approve financial statements that differ radically from those suggested, since he or she must defend any changes.

The AICPA discussion draft for the new audit guide proposed for most other nonprofits takes a more flexible approach, emphasizing that different organizations need different forms of financial reports. It illustrates five different types to show some possible variations and invites public comment suggesting others.

"The proposed AICPA audit guide takes a more flexible approach to financial reporting."

Whatever the form of the financial reports, however, they should not violate any of the generally accepted accounting principles described in the appropriate audit guide.

Some areas to consider in developing financial reports are these:

cash vs. accrual

Even though all of the audit guides strongly favor accrual-basis reporting, many small organizations may find simpler cash-basis statements adequate. Indeed, if income and expenses to be carried over to the next fiscal year are negligible, if there are no major fixed assets to depreciate, if in short there would be no material difference between a cash and an accrual statement, even a CPA auditor may endorse the cash-basis statement as being in accordance with generally accepted accounting principles.

"Even though all of the audit guides strongly recommend accrual-basis reporting, many small organizations may find simpler cash-basis statements adequate."

When cash-basis reporting is used, that fact should be clearly revealed. Tradition requires different word usage in cash statements than in accrual statements. Instead of "Balance Sheet," the terminology usually is "Assets and Liabilities Resulting from Cash Transactions." Instead of "income" and "expenses," the words usually used are "receipts" and "disbursements."

When necessary to more clearly reveal the financial position of a cash-basis organization, a cash-basis statement may be modified by adding some non-cash items, clearly identified as such. That practice is appropriate if the omission of a few major incomplete transactions (such as a large unpaid bill or a foundation grant approved but not yet received) would materially distort the fairness or accuracy of the statement. When there are more than a few such items, the organization ought to convert to accrual-basis statements. It is generally a bad idea to skip back and forth from year to year, however, because that makes comparisons difficult or impossible.

columnar vs. layered

In laying out the financial reports, information on various projects or funds may be presented either in side-by-side columns or separately one under the other (illustrations 3 and 4). The audit guides do not consistently prefer one or the other. However, columnar presentation generally is easier for most people to comprehend and therefore should be used where feasible.

"Since nonprofit organizations exist to carry out programs, their financial reports ought to make it easy to judge performance on a program basis."

Where columnar form is used, it is sometimes possible to provide extra information that is useful. A report that has columns for a number of funds is enhanced by a final column giving figures for "Total of All Funds." An organization with a simple program requiring few columns might consider adding columns for comparison that give the amounts budgeted and the previous year's figures. For more complex statements, such additions would not be feasible in a columnar report, though it might be possible with the layered format.

functional reporting

Since nonprofit organizations exist to carry out programs, their financial reports ought to make it easy to judge performance on a program basis. That is best accomplished by what is called functional reporting, that is, allocating expenses (and sometimes income) to various aspects of programs. This contrasts with another system still used by many nonprofits—natural expense reporting, which lumps amounts spent for salaries, rent, office supplies, etc.

Even where an organization conducts only one program, there should be a functional separation into direct program costs; management and general expenses; and fund-raising expenses.

columnar

SAMPLE NONPROFIT ORGANIZATION

BALANCE SHEET
DECEMBER 31, 1978

	Current				
	Unrestricted	Restricted	Plant	Endowment	Total
Assets					
Cash	$ 500,000	$ 60,000	$ 10,000	$ 45,000	$ 615,000
Pledges receivable, net	58,000	45,000			103,000
Other assets	172,000				172,000
Investments, at cost	1,075,000			1,905,000	2,980,000
Fixed assets, at cost, less accumulated depreciation of $260,000			545,000		545,000
Total assets	$1,805,000	$105,000	$555,000	$1,950,000	$4,415,000
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 147,000	$ 21,000	$ 5,000		$ 173,000
Deferred revenue	48,000	84,000			132,000
Notes payable			190,000		190,000
Total liabilities	195,000	105,000	195,000		495,000
Fund balances:					
Unrestricted—designated	845,000				845,000
Unrestricted—undesignated	765,000				765,000
Restricted			360,000	$1,950,000	2,310,000
Total fund balances	1,610,000		360,000	1,950,000	3,920,000
Total liabilities and fund balances	$1,805,000	$105,000	$555,000	$1,950,000	$4,415,000

illustration 1

vs. layered presentation

BALANCE SHEET
December 31, 197X

Assets		Liabilities and Fund Balances	
		Current Unrestricted	
Cash and temporary investments	XX	Accounts payable and accrued expenses	XX
Pledges receivable, net	XX	Total liabilities	XX
Other assets	X	Fund balance:	
Investments	XX	Designated	XX
		Undesignated	XXX
		Total fund balance	XXX
Total	XXX	Total	XXX
		Current Restricted	
Cash and temporary investments	XX	Accounts payable and accrued expenses	XX
Pledges receivable, net	XX	Deferred restricted revenue	XX
		Total liabilities	XX
		Fund balance—restricted	—
Total	XX	Total	XX
		Plant	
Cash	XX	Accounts payable and accrued expenses	XX
Investments	XX	Bonds payable and other debt	XXX
Land, building, and equipment at cost less accumulated depreciation of XXX	XXX	Total liabilities	XXX
		Fund balance—restricted	XXX
Total	XXX	Total	XXX
		Endowment	
Cash	XX	Fund balance	XXX
Investments	XXX		
Total	XXX	Total	XXX
		Annuity and Life Income	
		Annuity	
Cash	XX	Annuities payable	XX
Investments	XX	Fund balance	XX
Total annuity	XX	Total annuity	XX
		Life Income	
Cash	XX	Income payable	XX
Investments	XX	Fund balance	XX
Total life income	XX	Total life income	XX
Total	XXXX	Total	XXXX

illustration 2

some problem areas

Some of the problem areas of financial reporting have already been discussed in the description of fund accounting in the last issue. It is very important that the financial statement clearly show what funds are restricted by the donors and what funds are under the control of the board. Another problem, that of avoiding confusion over interfund transfers, is handled by recording them in the Statement of Income and Expenses *after* the line showing "Excess of Income over Expenses."

Other problem areas include:

Uncollected Pledges. Pledges for deferred donations (discounted by an allowance for the estimated portion that may not be collected) should be included as an asset receivable on the Balance Sheet.

On the "Statement of Income and Expenses," pledges (again discounted by the portion uncollectible) are counted when made unless the donor specified that they are for use in another year, and then they may be recorded in the year specified. The allowance for uncollectibles should be estimated on the basis of past experience, allowing for age of the pledge, general economic conditions and other such factors. Uncollectibles often run 5 to 10 percent. The amount of the discount for uncollectibles should be revealed in the financial statements.

In-Kind Contributions. Donated services, materials, equipment and facilities provide substantial support for many nonprofit organizations. Whenever their omission would make the financial statements misleading, they should be included. What to include and what value to assign can be troublesome.

Donated materials, equipment and facilities are recorded at their fair value when received, and the accounting records should document the method used in arriving at the value.

Donated services, valued at prevailing rates for similar services in the organization or in the local community, should be recorded when all the following circumstances exist:

- The services performed are a normal part of the nonprofit organization's program or supporting services and would otherwise be performed by salaried personnel.
- The organization exercises control over the volunteer's employment and duties.
- There is a clearly measurable basis for the amount recorded.

Donated items that are not usually recorded as contributions, even when they are significant in the operation of the organization, include:

- Supplementary efforts of volunteer workers provided directly to beneficiaries of the organization, including auxiliary activities or other specific services that would not otherwise be provided as a part of the operating program.
- Volunteers' efforts needed for concentrated fundraising drives. Volunteer solicitors cannot usually be sufficiently supervised by the organization to enable it to measure the value of the time devoted. However, if the service is an administrative function that would otherwise be done by salaried personnel, the value probably should be recorded.

• Services of professional personnel engaged in research and training activities without pay or with a nominal allowance. This type of work, although usually performed in connection with grants made by the organization to other agencies, universities or institutions for specific research projects, normally is not directly controlled by the granting organization. So it is not practicable to compute a value for the services.

• Materials that simply pass through the organization on their way to its charitable beneficiaries, where the organization serves essentially as an agent for the donors.

Where donated materials or volunteer services are to be recorded, the organization should have standard voucher forms on which the donations are recorded at the time they are donated. A possible format for these vouchers is shown in illustration 5.

Fixed Assets: Capitalization and Depreciation. The term "fixed assets" refers to land, buildings and equipment with a relatively long useful life. They pose two basic problems with respect to financial reports: How do you show their value to the organization in years beyond that during which they are acquired? And when do you record their acquisition cost as an expense—at the time purchased or spread out over their useful life?

The first question is handled by capitalization—entering the value of all fixed assets in the Balance Sheet. All the AICPA audit guides require capitalization of fixed assets.

The second question involves a decision on depreciation, which is defined by AICPA (in its Accounting Bulletin No. 1) this way:

> "Depreciation accounting . . . aims to distribute the . . . value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit in a systematic and rational manner. It is a process of allocation, not of valuation."

Many nonprofit organizations, particularly smaller ones, don't bother with depreciation. They simply record all purchases as expenses in the year they were acquired. That may work fine for organizations that need only keep track of their cash position, or where there are no very large investments in either plant or equipment and the amounts spent on such things remain reasonably consistent from year to year. This method has the great advantage of simplicity.

However, it will not do for most organizations that must comply with AICPA audit guides; only the college guide does not require reporting of fixed-asset depreciation. Also, failure to report depreciation may create problems later if the organization ever obtains funding based on its costs. Most such funding agreements (which include those initiated by many federal programs) allow depreciation to be counted as a cost, but questions may be raised if the recipient has not counted depreciation before.

When depreciation accounting is to be used, the first problem is what to depreciate. This decision sometimes is based solely on the nature of the acquisition, but the basic idea is to depreciate everything that is usable for more than one year. More often, a minimum acquisition price is established for items to be depreciated, regardless of how long they will be used. You might, say,

voucher format

IN-KIND CONTRIBUTION OF PERSONAL SERVICES

Time: Sue Smith, R.N. Date: 1-31-76

Agency: Midtown Health Department

Hourly Rate: $5.00

Date	No. Hours Worked	Description of Work Performed
1/18	4 hrs.	Patient Care Services
1/20	8 hrs.	Patient Care Services
1/21	8 hrs.	Patient Care Services

Total Contributed Amount: $100.00

Posting

Date: 1/31/76

Acct: A-811

Init:

Donor: Sue Smith

Grantee: John Paul Jones
Fiscal Officer

illustration 3

"Failure to report depreciation may create problems later if the organization ever obtains funding based on its costs."

depreciate all items usable for more than one year that cost more than $100 (or $50 or $1,000). The important thing is to put the policy in writing so that it is consistently followed.

The next question is the method for calculating depreciation. This is another area where the advice of a consulting accountant is very helpful. The simplest way to handle depreciation is the straight-line method, in which the cost of the item (less the estimated salvage value at the end of the depreciation period) is divided evenly over the expected life of the asset. An $800 typewriter with a five-year estimated useful life and a $200 trade-in value after five years would be depreciated at $120 per year ($800 − $200 ÷ 5).

Another method, "sum-of-the-years'-digits," is most efficient when used to depreciate new equipment that is likely to have increasingly heavy maintenance costs in future years. For a product with a five-year expectancy, for example, you would add up the years' digits: 1 + 2 + 3 + 4 + 5 = 15. You then divide the total amount to be depreciated (cost less salvage) by 15 and allocate five fifteenths to the first year, four fifteenths to the second year, three fifteenths to the third year and so on. Thus the amount you depreciate decreases as the cost of maintenance increases.

Each fixed asset may be depreciated separately for a different life expectancy (lists are available giving estimates for various items). Or you might lump all fixed assets acquired in a year (except real estate) and depreciate them collectively for an arbitrarily chosen period (it must be reasonable), say five years.

It is best to work with your accountant in deciding on the depreciation method for your organization. Whichever method is used, its basis should be explained in the notes accompanying the financial statement.

The final question on depreciation is how to present it in the financial reports. Again, there are options that should be analyzed by your consulting accountant. Sometimes depreciation is reported only in the Balance Sheet in conjunction with the value of fixed assets, the entry reading "Fixed Assets Less Accumulated Depreciation." That method does not clearly reveal the current year's depreciation unless a comparison is made with the previous year's statement.

Often depreciation is included in the Statement of Income, Expenses, and Changes in Fund Balances. Because depreciation expense is different in nature from other expenses (no cash is expended), it generally is separated from other expenses in this statement, often listed after a subtotal of other expenses.

Where financial reports have a separate Plant and Equipment Fund the depreciation could either be reported directly in that fund or listed first as a current expense in the unrestricted fund and then handled as an interfund transfer to move it to the Plant Fund. Some of the audit guides require the latter treatment.

The handling of various options, and their advantages and disadvantages, are discussed more thoroughly in Gross's book, *Financial and Accounting Guide for Non-Profit Organizations* (see bibliography).

Investments. Three areas present problems. At what value do you carry investments in the books (the cost paid or what they are currently worth)? Where do you report the income? And how do you handle capital gains (or losses)?

The first question is presently in a state of flux. Until quite recently, the requirement was that all investments be carried at cost, with a concession that adjustments could be made if the value dropped "permanently." The trend now, however, is toward listing investments at market value, which complicates matters as market prices change. Whichever basis your organization uses (and be sure you aren't violating one of the older audit guides if you choose market value), that basis must be used for all your investments. And, if cost basis is used, financial reports should also show market value.

Reporting of the income depends on where the investment funds come from. If unrestricted funds were used, the proceeds are reported with unrestricted income. If restricted funds were used, the income must be allocated in accord with the donor's wishes, being added to the donor's restricted fund itself unless otherwise designated.

Capital gains (losses) realized when investments are sold are generally considered part of the gift itself. Hence, they would, for example, be added to an endowment fund, even though income from the investment went directly into the unrestricted fund.

This subject obviously can become very complicated (as when resources from several funds are pooled for investment). Fortunately, when an organization is big enough to have much in the way of investments, it generally has professional accounting staff to help handle the complexities. Each of the AICPA audit guides discusses this subject, emphasizing the special problems likely to occur for each type of organization.

Affiliated Organizations. When should the financial activity of auxiliaries, support groups, local chapters of a national organization and other such entities be reported by the parent organization?

As elsewhere, the basic principle here is full and fair disclosure. There would hardly be full disclosure if an organization were permitted to hide its fund-raising costs by establishing a "separate" auxiliary for the sole purpose of raising funds. Nor would it be fair to require an organization to take responsibility for inefficient fund raising by a support group over which it has no control. Gross sums it up by saying,

> "If the relationship between the two organizations is such that truly one is a unit of the other, then combined statements are probably appropriate. If, on the other hand, the one organization has programs of its own, not supported by the other and is not controlled or controllable by the other, then combined statements are probably not appropriate."

Internal Controls

Another area your accounting consultant can help with is the system of internal controls. Gross defines internal control as "a system of procedures and cross checking which in the absence of collusion minimizes the likelihood of misappropriation of assets or misstatement of the accounts and maximizes the likelihood of detection if it occurs."

The *Bureau of Community Health Services' Accounting Manual* says that internal control involves:

- Division of responsibility among different employees for a sequence of related functions.
- Clear establishment of each employee's responsibilities and duties.
- Separation of the responsibility for maintaining records from the responsibility for operations, acquisitions and custody of assets.
- Use of proofs, checks and other security measures.

The BCHS manual provides a checklist of more than 100 questions for internal control evaluation. Although the list was developed for community health service organizations, most of the questions could be used by other nonprofits as well.

11 basic rules

Gross lists 11 basic rules for internal control applicable to most nonprofits:

- Prenumbered receipts should be issued for all money at the time first received. A duplicate copy should be accounted for and a comparison eventually made between the aggregate of the receipts issued and the amount deposited in the bank.
- Cash collections should be under the control of two people wherever possible, particularly where it is not practicable to issue receipts.
- Two persons should open all mail and make a list of all receipts received each day. This list should subsequently be compared to the bank deposit by someone not handling the money. Receipts in the form of checks should be restrictively endorsed promptly upon receipt.
- All receipts should be deposited in the bank, intact and on a timely basis.
- All disbursements should be made by check and supporting documentation kept for each disbursement.
- If the treasurer or check signer is also the bookkeeper, two signatures should be required on all checks.
- A person other than the bookkeeper should receive bank statements directly from the bank and should reconcile them.
- Someone other than the bookkeeper should authorize all write-offs of accounts receivable or other assets.
- Marketable securities should be kept in a bank safe deposit box or held by a bank as custodian.
- Fixed asset records should be maintained and an inventory taken periodically.
- Excess cash should be maintained in a separate bank account. Withdrawals from this account should require two signatures.

Very small nonprofits may have to exercise considerable ingenuity to achieve all of the separation of duties called for in the 11 basic rules, but usually it is possible. Volunteer board members may have to accept some of the assignments, such as receiving and checking the bank statement. If it is impossible to separate duties sufficiently to meet all 11 rules, the various jobs should be reassigned from time to time. In his book, Gross discusses how to apply the rules in an organization with four paid staff members.

Though Gross's 11 rules are basic, they may not cover everything, especially for larger organizations. That is

SAMPLE NONPROFIT ORGANIZATION

STATEMENT OF INCOME, EXPENSES, NONEXPENDABLE ADDITIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 1976

	Expendable	Nonexpendable	Total
Income:			
Fees for services	$ 762,000		$ 762,000
Investment income	63,000		63,000
Contributions, of which $192,000 were expended for restricted purposes	902,000		902,000
Total income	1,727,000		1,727,000
Expenses:			
Program services:			
Program A	443,000	$ 17,000	460,000
Program B	262,000	10,000	272,000
Program C	160,000		160,000
Total program expenses	865,000	27,000	892,000
Support services:			
General administration	247,000	13,000	260,000
Fund raising	315,000	5,000	320,000
Total supporting expenses	562,000	18,000	580,000
Total expenses	1,427,000	45,000	1,472,000
Excess (deficit) of income over expenses before nonexpendable additions	300,000	(45,000)	255,000
Nonexpendable additions:			
Contributions		106,000	106,000
Investment income		23,000	23,000
Excess for the year	300,000	84,000	384,000
Fund balances, beginning of year	1,350,000	2,188,000	3,538,000
Transfers	(40,000)	40,000	
Fund balances, end of year	$1,610,000	$2,310,000	$3,920,000

illustration 4

"The entire system of internal controls should be put in writing, including a clear definition of each person's responsibility."

why it is important to have the public accountant review the internal controls along with the financial record keeping. The accountant can also check on the way you are executing the basic rules and possibly suggest alternative ways of accomplishing the desired objectives.

The entire system of internal controls should be put in writing, including a clear definition of each person's responsibility. It is good practice, as well, to develop a written handbook on all accounting practices and procedures, including books kept, supporting documents used and a schedule of when various procedures should be done. Copies of the written rules should be available to all those involved. This precaution is especially important when accounting procedures are done by volunteers who change frequently.

Audits

All but the smallest of nonprofit organizations ought to have an independent audit from time to time, and some should be audited every year. Gross defines an audit as

> "a series of procedures followed by an experienced professional accountant used to test, on a selective basis, transactions and internal controls in effect, all with a view to forming an opinion on the fairness of the presentation of the financial statements for the period. An audit is not an examination of every transaction that has been recorded; it is a series of tests designed to give the accountant a basis for judging how effectively the records were kept and the degree of reliance he can place on the internal controls."

If the accounting records and the internal controls are good, the auditor will need to do a relatively small amount of checking. If they are sloppy, the auditor may spend many hours investigating a great many transactions in detail. Since auditors charge by the hour, the time and effort involved in setting up and administering good financial records and controls can result in direct monetary savings at audit time.

The cost of an audit may be substantial, averaging somewhere in the neighborhood of $25 per hour and running perhaps three times as much for a top-notch experienced CPA. A public accounting firm will charge a varying hourly rate depending on the actual hours spent by various experienced and inexperienced members of a team assigned to the work. It is impossible to generalize on the total cost of an audit because each one is different. Auditors and auditing firms will, however, estimate the fee for a specific job in advance, though there is no guarantee that the final fee will match the estimate. An organization may want to obtain several estimates before deciding who should do the audit.

An audit provides several benefits. The most obvious is the increased credibility of the financial reports when they are endorsed with an independent auditor's statement affirming their fairness and conformity with generally accepted accounting principles.

Other things the auditor can do for an organization are to provide: expert assistance in choosing a format for financial statements that will be easy to understand; professional advice on improving internal controls, business administration and other business matters; and help in dealing with tax matters.

choosing an auditor

In most instances, the audit should be done by a certified public accountant, that is, one who has been licensed as a CPA by the state after passing a rigorous two-and-a-half-day examination. If an organization's primary purpose in having the audit is enhancing its credibility with the public, the audit most definitely should be done by a CPA. Moreover, if the public to be impressed is nationwide, there may be some advantage in having the audit done by one of the "big eight" accounting firms, whose prestige and competence are familiar to everyone in the financial world.

Some states also license "public accountants," who are not required to pass an examination but still may be competent to conduct an audit. There also are accountants with no license at all who are sufficiently knowledgeable to review the bookkeeping and financial statements of small or medium-sized nonprofits and provide good advice. The problem is to determine how good a job will be done by a noncertified auditor. If your board or staff personally know an accountant's competence and your organization does not need the added credibility of a CPA's opinion on its financial statements, then you may be able to obtain the audit you need for less than a CPA would charge. This is not, however, a place to pinch pennies.

CPAs, too, vary in experience and competence. When obtaining estimates, don't hesitate to ask questions about the CPA's previous experience with nonprofit organizations. Also, if you want general advice on financial management and internal controls in addition to the basic review of financial statements, be sure the CPA understands that. The accountants' code of ethics does not permit them to solicit business and some CPAs therefore may hesitate to propose anything you do not ask for.

Many smaller organizations may not consider it worth the cost to hire an outside auditor. They can obtain some of the value of an independent audit by setting up an audit committee within the organization. Its members should be people who are not directly involved in acquisitions or accounting operations. Such a committee meeting monthly or bimonthly could review all transactions, reconcile bank accounts, check inventories and make any other investigations that seem to be needed. Since such a committee is unlikely to include a trained accountant, it is not really a substitute for an independent audit, but it is better than no review at all.

Where to Get Help

In deciding what kind of an accounting system is needed and in setting it up (or in evaluating and reorganizing a system already in use), all but the smallest organizations should have the help of an accountant. Moreover, if the organization receives funds whose use is restricted by the donor, if it operates several programs or owns a building or other extensive capital assets, the accountant should be familiar with nonprofit fund accounting (or be willing to study the nonprofit audit guides or other references cited in the bibliography on page 24).

Issues of Nonprofit Accounting: A Comparison of Audit Guides

This chart gives a quick overview of the differences between the three existing AICPA audit guides, the proposed AICPA guide for nonprofits not covered by the other guides and the recommendations of the Accounting Advisory Committee of the Filer Commission. The chart can also be used to identify important issues nonprofits should consider in setting up an accounting system.

	AICPA Industry Audit Guides				
Issues	*Proposed Guide for Other Nonprofits*	*Hospitals*	*Colleges*	*Voluntary Health and Welfare*	*Recommended by Accounting Advisory Committee*
Accrual basis accounting required	Yes	Yes	Yes	Yes	Yes
Required financial statements					
Statement of activity (Note 1)	Yes	No	Yes	Yes	Note 6
Balance sheet	Yes	Yes	Yes	Yes	Note 6
Statement of changes in financial position	Yes	Note 2	No	No	Note 6
Statement of functional expenses	No	No	No	Yes	Note 6
Functional reporting	Yes	Yes	Yes	Yes	Yes
Program services reported separately from supporting services	Yes	No	No	Yes	Yes
Fund raising expenses separately identified	Yes	Yes	No	Yes	Yes
Fund raising costs expensed currently	Yes	Note 3	Note 3	Note 3	Note 6
Excess of "expendable" revenues over expenses shown	Yes	Yes	No	Yes	Yes
Revenue and expense categories exclude nonrevenue and nonexpense transactions	Yes	Yes	No	Yes	Yes
All unrestricted revenues and expenses reported in the same fund	Yes	Yes	No	Yes	Yes
Transfers between funds reported after excess of revenues over expenses	Yes	Note 2	Note 4	Yes	Yes
Unrestricted capital gains reported in the unrestricted fund	Yes	Yes	No	Yes	Yes
Donated services of volunteers recorded as revenue under certain circumstances	Yes	Yes	Yes	Yes	Yes
Subscription and membership income reported when earned	Yes	Note 6	Note 6	Note 6	Note 6
Pledges recorded as assets	Yes	Yes	Optional	Yes	Yes
Pledge income recognized in period scheduled for payment	Yes	No	Note 5	No	Note 6
Grants to others recorded as expense when recipient is entitled to grant	Yes	Note 6	Note 6	Note 6	Note 6
Investments carried at either cost or market	Yes	No (cost)	Yes	Yes	No (market)
Fixed assets capitalized	Yes	Yes	Yes	Yes	Yes
Depreciation accounting followed	Yes	Yes	No	Yes	Yes
Total unrestricted fund balance shown	Yes	Yes	No	Yes	Yes
Total all funds column preferred	Yes	Note 6	No	In part	Yes
Principal types of restricted fund balances disclosed	Yes	Yes	Yes	Yes	Yes
Current restricted gifts and grants reported as revenues when					
Received	No	No	No	Yes	Yes
Spent	No	Yes	Yes	No	No
Restriction has been met, even if through expenditure of unrestricted funds	Yes	No	No	No	No
Current restricted funds reported as deferred revenue until restrictions met	Yes	No	No	No	No

Notes

1 "Statement of activity" refers to a single all-inclusive statement that shows the total financial activity for the entire reporting period. Such a statement may have various names, including statement of support, revenue, expense and changes in fund balances.

2 Yes, but for current unrestricted fund only.

3 Implied but not specifically discussed.

4 Colleges do not usually show an "excess" caption.

5 No, unless college does not record pledges, in which case effectively it is on a cash basis and the answer is then "yes."

6 Issue is not addressed in this document or is otherwise not applicable.

Chart compiled by Malvern Gross. Reprinted from the Journal of Accountancy.

The following advice on obtaining the help you need is reprinted with permission from a chapter on accounting in *The Fund-raiser's Toolbox,* by Gary S. Messinger, Ray B. Feldman and Robert R. Wellington:

If you can see your way to pay for the services of a skilled accountant, by all means do so. Having the accountant on your payroll gives leverage which cannot be obtained in any other way. A relationship on a fee basis is the best guarantee that all parties will have a sense of responsibility and commitment to one another.

Many groups, of course, cannot afford the fees of professional accountants. In this case, there are several possible recourses.

Your greatest windfall would be donated help from a local certified public accountant. National CPA firms, such as Price Waterhouse and Peat, Marwick and Mitchell, are especially good prospects. Because they have a larger overall volume of business and many branch offices, they can afford to donate time to charities as a public relations device. Do not be afraid to ask these firms for help. Probably you will be pleasantly surprised.

Many times the local chapters of the state CPA societies will help by asking members to donate time and assistance on a rotation basis. [In some places, the local affiliate of Accountants in the Public Interest (233 Sansome St., Room 400, San Francisco, CA 94104) will assist nonprofits with accounting problems, though most API affiliates provide only issue-oriented consulting services. Even the latter type of affiliate, however, may be able to suggest a good nonprofit accountant who will donate time or charge only a minimum fee.]

If you cannot get help for free from a CPA, contact a PA (public accountant) or a reputable bookkeeping firm.

You might also consider approaching one of the larger business corporations in your community, such as General Electric, B.F. Goodrich or Macy's. Pick a firm that hires a large number of local people, so that the company feels it has a stake in winning favor with the local community. Remind the firm that it is not at all unusual for companies to donate a few hours of time to local charities; it is done already in many places throughout the U.S. Also assure the company that you will give them plenty of favorable publicity if they so desire.

Sometimes you can get accounting help from a local government office. Stay away from federal and state offices; they don't have much freedom to re-arrange the hourly patterns of their workers. Concentrate upon city, county or district governments. Suppose you run a drug education project. If you can prove to the local police department that your work helps lower the crime rate, the police chief just might phone the city auditor and ask him to help you for a few hours each week. [A possible exception to the warning about federal or state offices may apply if your organization is receiving its first grant or contract from such a source. The funding agency, in that case, often sends a representative to check on financial management practices, and that person can be very helpful. The funding agency chooses the recipients of such visits, however; they are rarely made at grantee request.]

You can also go to local universities, colleges or high schools for help. In the business departments of these institutions there is nearly always a faculty member who teaches accounting. Perhaps he or she can be persuaded to donate time or advice to your group. Perhaps a student can take on your accounting tasks as a project for which academic credit will be given.

One general word of advice: When asking someone to donate accounting expertise, always make your request as specific as possible. If you tell a person, "We need somebody to keep our books and straighten out our accounts receivable," you are likely to get a refusal. Making the request in this way suggests to the accountant that you want a vague, open-ended guarantee that will keep him on call night and day to rescue a bunch of incompetents from their own laziness. It is far more impressive to say, "We are asking you for two hours per week, and no more. We will file the receipts and financial statements neatly and bring them to your office promptly at 3 p.m. each Wednesday. If you can give him some guidance, one of our members will make all the entries in our ledgers, thus saving your time. If you will simply review what we do and keep us on course, that should be enough. We know you are donating your time, and we promise not to abuse your generosity."

"If you don't number your transactions, someone else may number your days."

—Old CPA Proverb

Other Sources of Information

Nonprofit accounting is not very well represented in the literature of accounting. However, there are a number of very useful sources of information, including the following:

AICPA Audit Guides

The basic standards of "generally acceptable accounting principles" for nonprofit accounting are set forth in the audit guides of the American Institute of Certified Public Accountants. Although these publications are written for practicing CPAs and thus are rather technical, anyone responsible for the accounting of a nonprofit organization should nonetheless have access to a copy of the appropriate guide.

Three audit guides are currently in force for different types of private nonprofits. Each provides detailed instructions on how to handle various accounting situations and what practices may be violations of accepted principles. Each also presents suggested or required formats for financial reports. The three are:

Audits of Voluntary Health and Welfare Organizations, prepared by the Committee on Voluntary Health and Welfare Organizations and issued in 1974 ($4.50).

Audits of Colleges and Universities, prepared by the Committee on College and University Accounting and Auditing and issued in 1973. The same book includes a Statement of Position by the Accounting Standards Division, issued in August 1974 ($5).

Hospital Audit Guide, prepared by the Committee on Health Care Institutions and issued in 1972 ($4).

Any of the above audit guides may be obtained from the American Institute of Certified Public Accountants, 1222 Avenue of the Americas, New York, N.Y. 10036.

A fourth audit guide that sets principles for all nonprofit organizations not covered by the other guides is presently being developed (see issue 19 of the NEWS). A "Discussion Draft" of the proposed guide, entitled **A Tentative Set of Accounting Principles and Reporting Practices for Nonprofit Organizations Not Covered by Existing AICPA Industry Audit Guides,** is available free from the address above.

In addition to its audit guides, AICPA publishes a number of other books and self-study materials, some of which might be useful to nonprofits. **Federal Financial Management: Accounting & Auditing Practices** ($14) is designed to help organizations more fully understand government financial processes and requirements. It explains such things as government budgeting, audits, types of federal contracts and allowable contract costs. Closer to home (unless your home is D.C.) is **Introduction to Local Government Accounting** ($85 for a cassette and workbook). It provides accountants (and others who might be interested) with the basic principles of fund accounting for local governments. **How to Choose and Use a CPA** and **What Does a CPA Do?** (25 cents each, minimum order 10 copies) are helpful consumer guides. These publications can be ordered from the AICPA address given above, as can a catalog of all AICPA publications and self-study materials.

The major accounting firm of Price Waterhouse & Co. has published a summary of the most important aspects of the discussion draft, **Highlights of the AICPA's Tentative Statement of Accounting Principles and Reporting Practices Applicable to Certain Nonprofit Organizations.** This booklet is available free from Price Waterhouse & Co., 1251 Avenue of the Americas, New York, N.Y. 10021. Although the principles in the discussion draft may be modified before they are finally made official (which cannot happen before late 1978), a nonprofit organization will eventually be covered by this guide would not be faulted if it established its accounting practices in line with the proposed principles.

General References

The most widely respected general book on nonprofit accounting is **Financial and Accounting Guide for Non-Profit Organizations,** by Malvern Gross, Jr. (Second Edition, 1974, Ronald Press, 79 Madison Ave., New York, N.Y. 10016; $16). This book covers in considerable detail all the topics in the accompanying NEWS article, plus information on budgeting, taxes and regulatory requirements of various levels of government. Most of it is reasonably understandable to a non-accountant, though at times some bookkeeping background would be helpful.

An even less technical manual is **Accounting and Financial Reporting for United Ways and Not-for-Profit Human Service Organizations** (1974, United Way of America, 801 N. Fairfax St., Alexandria, Va. 22314; $15). Except for its impossibly complex 17-digit chart of accounts, this is a good book for those who know nothing about accounting. Among other things, it takes you step-by-step through instructions on the handling of a set of accrual books.

A very simple (and consequently somewhat limited) review of nonprofit accounting is presented in **Where Do All the $$ Go? What Every Board and Staff Member of a Non-Profit Organization Should Know about Accounting and Budgeting** by Gerald G. Bowe, Jr. (1975, New Hampshire Charitable Fund, Concord, N.H. 03301; $2.50). One of its appendices is a useful self-audit in the form of a series of questions with brief discussion of the possible answers.

For Special Types of Nonprofits

Voluntary health and welfare organizations have the greatest selection of materials slanted especially for them. In addition to the United Way guide already mentioned (which applies mainly to this type of organization), there is another widely-known reference.

Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations (Revised 1974, National Health Council, Inc., National Assembly of National Voluntary Health and Social Welfare Organizations, Inc., and United Way of America; available from National Health Council. 1740 Broadway, New York, N.Y. 10019; $7), is familiarly called the "Black Book." Its original version pre-dated the health and welfare audit guide, and the revision brought it fully in line with that guide. It explains acceptable accounting practices in far greater detail than does the audit guide.

Legal services organizations will find a chapter on bookkeeping procedures geared specifically for them in **Legal Services Program Development Manual** (Ohio State Legal Services Assocation, 8 E. Broad St., Suite 1200, Columbus, Oh. 43215, $9). Its very explicit directions, written for people with little or no bookkeeping experience, carry through the transactions for one hypothetical month, stopping at the point where a small organization would bring in an accountant for month-end adjustments and preparation of reports.

Museums, zoos, botanical gardens, etc., which have special problems related mostly to their permanent collections, will find valuable assistance in a new publication, **Museum Accounting Guidelines, Recommended Policies for Preparing Financial Statements at Museums** (1976, Association of Science-Technology

Centers, 2100 Pennsylvania Ave., N.W., Washington, D.C. 20037; $3.50). Particularly useful are its sample financial statements.

Other types of nonprofits should inquire at the offices of national associations in their field to find out whether they have published, or know of, special materials related to accounting in their field.

For the Federally-Funded

The basic reference for federally-funded nonprofit organizations is Office of Management and Budget Circular A-110, **Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Learning, Hospitals and Other Nonprofit Organizations** (Office of Management and Budget, 726 Jackson Place N.W., Washington, D.C. 20503; free). This circular tells federal agencies what they are supposed to require of recipients of federal funds and sets certain limits on what they can require. We reprinted the section most closely related to accounting in the first part of this article, but other sections are also important.

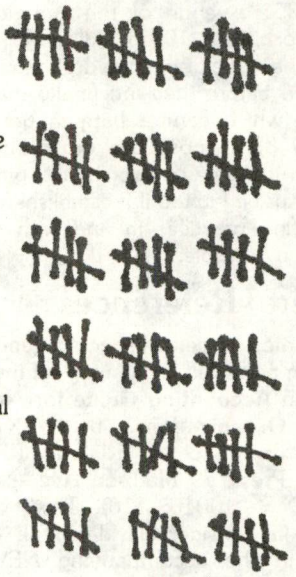
In addition to their regulations implementing A-110 and defining other financial management requirements, most large funding agencies have some sort of management assistance literature for recipients of their funds. When you obtain a federal grant or contract, ask for all such materials available. Some are rather sketchy, others are quite detailed. Many of them suggest a chart of accounts particularly suited to the type of organization funded, illustrate various record-keeping forms and have internal control checklists or auditing guidelines that would be useful to an organization even if it does not plan to seek federal funding. It might be possible to examine such publications at the offices of a federally-funded organization in your community to see if they include material you would want to obtain.

The prime example of excellence in federal accounting literature is a trio of publications issued last fall by the Bureau of Community Health Services (5600 Fishers Ln., Rockville, Md. 20852), which tells in detail how to set up the accounting system for a community health agency and how to run it. They are the **BCHS Accounting Manual; Illustrated Accounting Practice Set for Federally Funded Health Centers** and **Instruction Manual for the BCHS Common Reporting Requirements.** Together they comprise the most thorough textbook of nonprofit bookkeeping we have seen, though they are not very helpful in respect to annual financial reports other than those required by the federal government.

REPRINTS

This article, together with part I, is available as a reprint: 1-10 copies, $1.25; 11-25 copies, $1.10; 26-100 copies, $1; 101 or more, 90 cents. Order from the Grantsmanship Center, 1015 W. Olympic Blvd., Los Angeles, Ca. 90015.

The Importance of Keeping Records—I



Often the importance of maintaining detailed records of financial transactions seems a bit remote. Perhaps the experience of the University of California will make it more immediate.

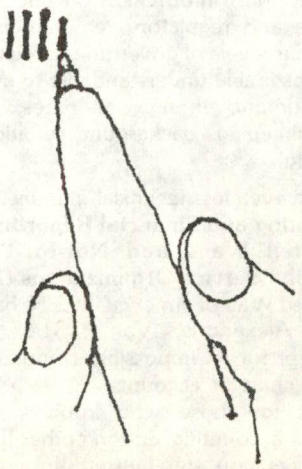
The university was asked to return $5.6 *million* in federal funds as a result of recent audits. HEW investigators requested the refund because the university cannot document expenditures for services, consultants' fees, summer salaries, vacation pay or cost transfers charged against federal research funds.

The university has conceded that its documentation of costs is inadequate and has already taken some steps to revise its procedures. It will refund any money due the government.

The technique the auditors used to determine the amount of the refund is interesting and has been sharply criticized by the university. HEW auditors performed a spot-check audit on a small number of federal programs to determine an average percentage of charges that could not be justified. They applied that percentage to similar programs and computed a total dollar amount for the refund.

The university opposes this extrapolation technique because it "results in disallowances which are not directly traceable to specific grants or contracts."

—Based on an article in the Feb. 28, 1977 issue of the *Chronicle of Higher Education.*



The Importance of Keeping Records—II

Audits of federally-funded projects are normally conducted by the auditing division of the department making the grant. Occasionally, however, the General Accounting Office, an administrative arm of Congress, will audit an organization.

The results of one such audit, which focused on 11 agencies receiving grants from the National Institute on Drug Abuse, suggests how prevalent inadequate financial management procedures are.

The audit, which was finished last year, found deficiencies in the financial management systems of 10 of the 11 projects reviewed. Some of the deficiencies included:

- The lack of a procurement system.
- No written policy for reimbursement of employee business travel expenses.
- No comparison of expenditures to budget.
- No supporting documents for budgets.
- No financial statements.
- The use of funds budgeted for the following month to pay current month expenses.
- No systematic recording of project revenues and costs in appropriate books of record.
- No control records for physical assets.
- Delays or failure to post and close accounts.

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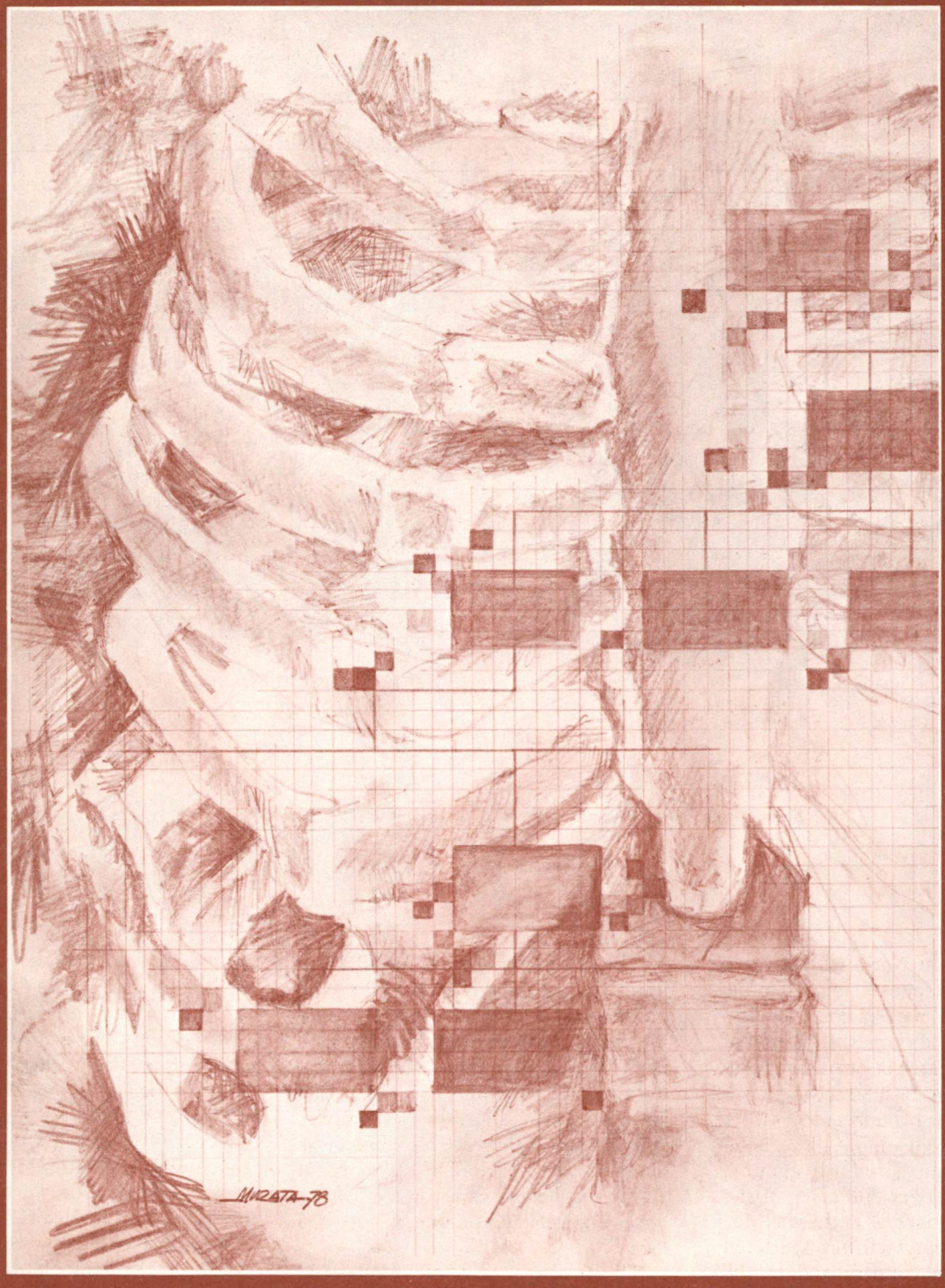
ANATOMY OF A GRANTS PROCESS

FEDERAL FUNDING FOR HEALTH



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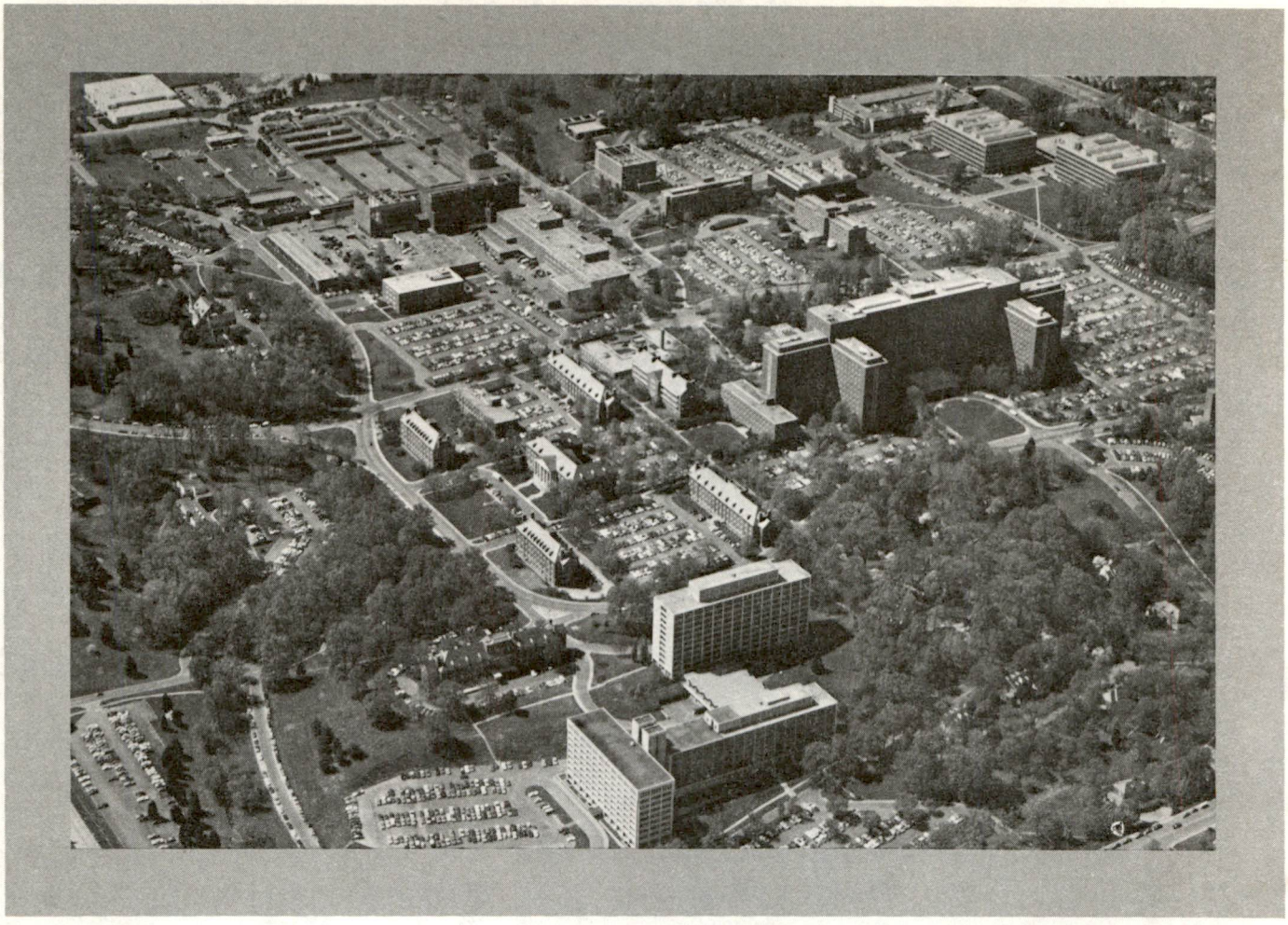


National Institutes of Health, Bethesda, Md.

To say that the National Institutes of Health began inauspiciously would be understating matters considerably. In 1930, the world's largest supporter of biomedical research began in two modest buildings on 25th Street in Washington, D.C. It had a budget of $750,000.

Today, NIH looks more like a large university than a federal agency, being sprawled over 306 acres in the Washington suburb of Bethesda, Md., with other major facilities scattered throughout the country and in the Caribbean. In addition, NIH has funded construction of 18 million square feet of biomedical research facilities, 84 clinical research centers and 11 regional medical libraries. Its budget for fiscal 1979 has grown to nearly $3 billion.

The prodigious growth of NIH has mirrored the growth in overall public funding for health. In 1929, total public health spending (including state and local government expenditures) totaled $477 million. In 1976, it had grown to just short of $60 billion, which is more than double what it was just six years before. And in fiscal 1979, the health expenditures of the *federal* government alone will exceed $63 billion.

The majority of those funds ($42 billion) goes to pay medical bills of individuals through such programs as Medicaid and Medicare. But billions of dollars are spent by more than three dozen agencies on health-related research, training, construction and planning, much of it (more than $3 billion a year) in the form of grants.

Most of that grant money is awarded by the many agencies that are a part of the Public Health Service (PHS), a division of the Department of Health, Education and Welfare. PHS consists of six agencies: the Alcohol, Drug Abuse and Mental Health Administration; Center for Disease Control; Food and Drug Administration; Health Resources Administration; Health Services Administration; and the National Institutes of Health. All six have grant programs, but by far the largest source of grant money is NIH.

The history of grants at NIH forms a large part of the history of the federal grants system.

One of the first substantial federal grant programs was begun in 1938 by the National Cancer Institute, the first, and at the time the only, NIH institute. Between 1938 and 1940, the institute awarded 33 grants totaling $220,000. Since then, NIH has made 253,000 grants, which have gone to 175,000 scientists (including 58 Nobel prize winners) and more than 10,000 institutions.

The process NIH developed for making these grants—the peer review system—has become a model for many federal grant programs. Since this article will be explaining how that process works, it should be of interest to almost anyone looking for a federal grant.

The article will be in two parts. This first part will describe how the grants process works. The second part will survey all federal agencies that have grant money available for health-related projects and will explain how to get information about federal health programs.

TRAVERSING THE GAUNTLET

Applying for a federal health-related grant is a bit like running a gauntlet blindfolded. A grant application has to work its way through and around a number of obstacles (including as many as 50 reviewers), but once you have submitted the proposal, there are only a few things you can do to help it along.

Understanding how the grants gauntlet works is still important, however. By knowing how your application will be reviewed, you can prepare it so that it has a better chance of clearing all of the hurdles. Also, you will better understand any communication you might get from the reviewers. You will know who to contact if you have questions about how the review of your application is going. You will know how long that review should take. You will know how to get feedback if your application is turned down. And finally, you will have the satisfaction of knowing that something is indeed happening to the proposal you put so much energy into developing.

The entire review process takes a considerable amount of time—years have elapsed between when a proposal was submitted and when it was funded; usually it takes at least 10 months. The process of preparing the application should take at least another six months.

Despite how involved the process is, people keep applying. Last year, the institutes that make up NIH reviewed 13,841 applications. And despite the competition, people still get grants—last year 4,600 were awarded.

This article will follow a research grant application through NIH, but most of what will be said would apply to other types of applications to other Public Health Service agencies.

The Basics

The basics of the grant process are relatively simple. A researcher decides to examine a specific problem. Advice from colleagues across the country is solicited, then a proposal begun.

When it seems reasonably sound, the preliminary proposal should be submitted to the program director of the appropriate institute at NIH. This action should generate some valuable comments about the relevance of the proposed project to the institute's current priorities and other advice.

At the same time that the proposal is being developed, the researcher should be demonstrating compliance with a number of federal requirements such as affirmative action and protection of human subjects.

When these clearances have been obtained, the application is submitted. Applications to all agencies in PHS are received by the Division of Research Grants, which checks each application and then assigns it to either a "study section" or a "review committee," both of which consist of scientists knowledgeable about the field with which the proposed project would be concerned.

The reviewing group critiques the proposal, votes to approve or disapprove it, assigns it a priority score and then sends it on (with comments) to an agency's National Advisory Council, another group of experts that oversees the activities of each agency.

The advisory council considers the proposal and the review group's comments and then votes to recommend approval or disapproval. However, not all proposals that are approved can be funded. Instead, the agency's staff makes a judgment about the approved project's relevance to the agency's current priorities, and if that judgment is favorable (and money is available), the proposal will be funded. When this funding decision is made, the investigator is notified, final terms are negotiated, the grant is made and the champagne is bought.

That is the outline of the process. Now for the juicy details.

PRE-APPLICATION PHASE

Many of the steps a grant seeker should take prior to submitting a proposal are fairly obvious, but they are often ignored.

Several questions about the proposed project should be answered before beginning the application, such as how much training and experience the principal investigator has in the proposed research field, how supportive the department and institution will be of the project, whether the facilities are adequate, whether the project would be scientifically important in the eyes of the funding agency, whether the project is feasible without astronomical funding, whether the objectives are clear and measurable and the methodology tested and effective.

Research Funding Sources

Once the decision is made to pursue the project idea, potential funding sources must be identified. The primary sources of federal funds for most health projects will be fairly obvious. But two things are often ignored when doing research on funding sources.

First, look for sources of funds other than the obvious. There are more than 35 federal agencies funding health projects; several might be interested in certain aspects of your project. If you find two agencies that may support your project, you can apply to both concurrently. But if you do so, it is important to explain what you are doing to both agencies prior to submitting the application.

Second, applicants often fail to learn as much as they could about the current priorities and interests of the funding agency. How to fully research a particular funding program and learn about alternative sources of support will be discussed in the second part of this article.

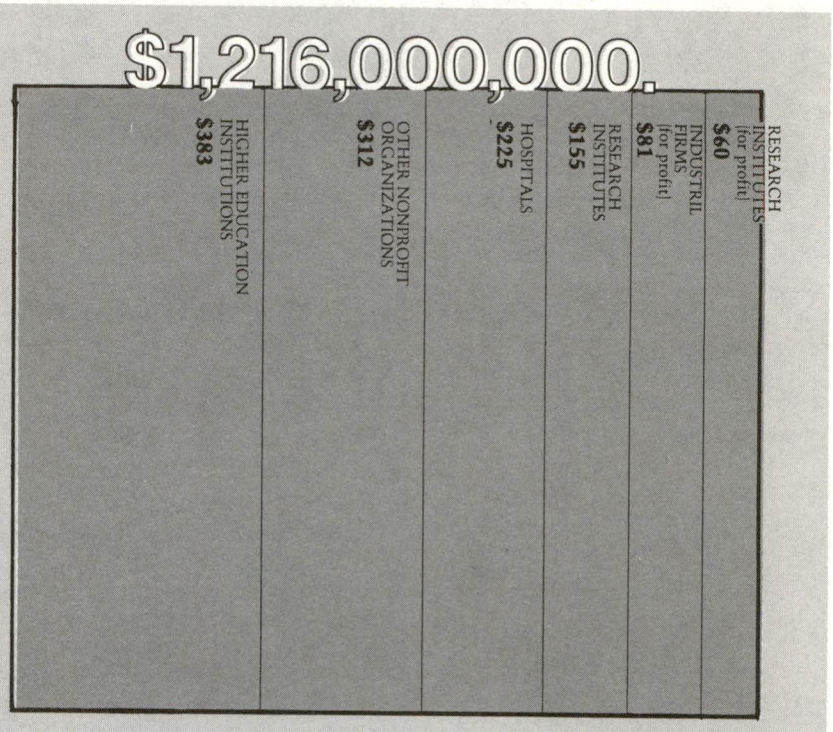
Who Gets What

One of the most frequently mentioned criticisms of the process for awarding health-related research grants is that most go to researchers from prominent universities. The figures both give support to this criticism and contradict it.

In fiscal 1977, 1,216 institutions received NIH support, which suggests that being affiliated with a less than prominent organization does not preclude support. However, 75 percent of NIH grants between 1970 and 1977 went to the top 100 institutions and 37 percent went to the top 25. The top 10 institutions were all universities.

Also, while all 116 schools of medicine in the country receive NIH support, the top 20 medical schools received half of the funds.

The charts throughout the article offer some idea about who receives NIH funding.



Get Some Reactions

Because of all the pressure upon researchers and administrators, time is always in short supply. As a result, many steps in developing a proposal are ignored or short changed. Perhaps the most important is getting reaction to a preliminary proposal. This draft proposal should include a literature review, a statement of need (which should emerge from the literature review), the research objectives and an explanation of the methodology and evaluation design to be used. Also, the capability of the principal investigator should be demonstrated by mentioning his or her training and research experience. Finally, a rough cost estimate should be included.

Several people working in the field should be consulted, not only to get their advice but to build a relationship that can be helpful in the future. Someone not in your field should review the readability of your proposal. You should also give *yourself* some time to think critically about your proposal.

One of the first people who should be informed, if you are involved with an institution, is your department's chairperson. Because most chairpersons know about other research in the field, they can provide advice about the need for the proposed project. They can also garner considerable support from within your institution.

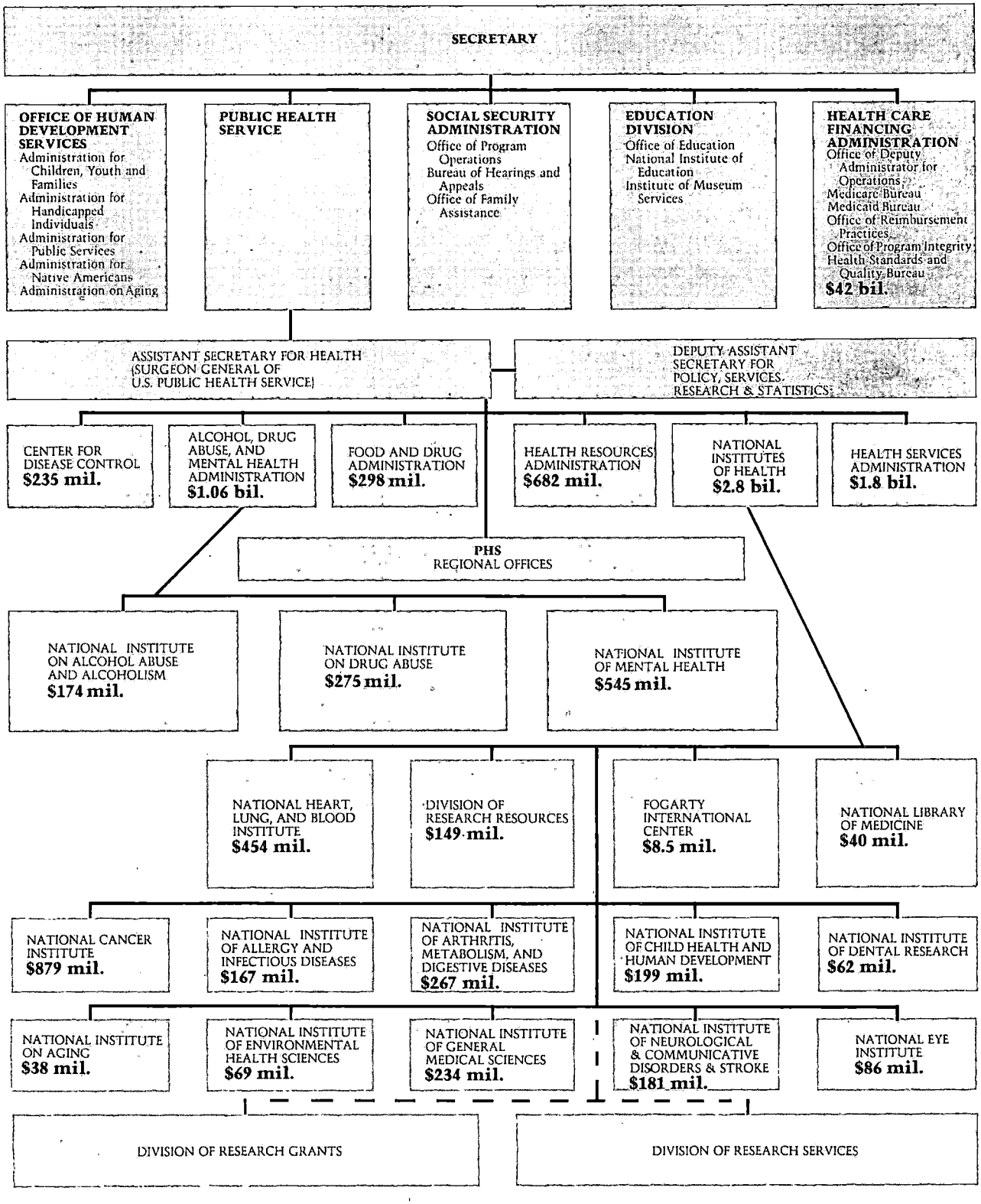
You will also be working with your institution's business or grants office. Getting its support for your project can be nearly as difficult and as important as getting the funding source's support. The grants office can provide considerable assistance in the preparation of your proposal. It can help you comply with all the legal requirements (affirmative action, animal protection, etc.), provide estimates of both direct and indirect costs and review the final application to be sure it is complete.

Consult the Funding Source

At least three months prior to the deadline, an abstract of your preliminary proposal should be submitted to the program director (see box on page 6) of the appropriate funding source. The abstract should be accompanied by a letter asking about the relevance of the project to the current priorities of the agency. Also request additional references to the literature or to other researchers. The letter should communicate that you know the agency funds projects in yóur field.

Consulting the funding source is a step ignored by many applicants. Gilbert Shaw, chief of the Special Projects Branch within the National Institute for Alcoholism and Alcohol Abuse,

Department of Health, Education, and Welfare



Figures are from President's proposed budget for FY 1979.

says that he would prefer to have contact with applicants before an application is submitted, but that it "doesn't happen as frequently as we'd like it to." He asks for a 3- or 4-page outline. "Be specific on the budget, but don't knock yourself out." The result of such a prereview is usually "fewer deficiencies with the application itself and a lot more pointedness toward the major objectives."

You should then receive a letter which can be quite helpful. It may indicate that the proposed project does not relate to the agency's current priorities, in which case you save much work. If the letter is encouraging, you can proceed with more confidence to the strenuous process of preparing a formal application.

If the program director makes specific comments about your proposal, try to incorporate them into the final draft. Send the program director a copy of the revised proposal, which will help her or him keep track of your application as it progresses through the review process.

The actual writing of the final proposal is a lot of fun for most people. The Grantsmanship Center's *Program Planning Proposal Writing* booklet is a good basic guide. Two other excellent books extensively discuss how to write research propsals: David Krathwol's *How to Prepare a Research Proposal* ($2.95 from Syracuse University Place, Syracuse, N.Y. 13210) and Mary Hall's recently revised *Developing Skills in Proposal Writing* ($10 from Continuing Education Publications, 1633 S.W. Park, P.O. Box 1491, Portland, Or. 97207.

Another solution is to bring in a proposal-writing consultant, but that person's involvement should be limited. "Consultants can help in the writing of an application if that is a problem for the applicant, but to have a consultant come in and design the program is not appropriate," comments Shaw. "Then the proposal doesn't reflect the organization's thinking, it's not real. And you can spot those a mile away. They have the words but no music."

However you get it done, when the application is finished the first phase of the grants process is complete.

POST-APPLICATION PHASE

There is always a feeling of relief once an application has finally been mailed. But the process has only just begun.

The system the Public Health Service has developed for reviewing applications is based on peer review. The idea is that proposals should be evaluated by experts who are working in the same field. Nearly everyone agrees that the system has basically worked well, though many people have complained bitterly that there are some critical problems with peer review that have limited the effectiveness of PHS grants (see News & Comment, issues 16 and 21). A major study of the peer review process is currently underway in NIH. Whatever the results of the study (a preliminary report was quite supportive of the present system), the basic process for reviewing applications, which has developed over the past 40 years, will probably change little.

The essence of peer review is the "study section" or "review committee," of which there is a combined total of nearly 125. Both consist of about 15 experts in a particular field who review all proposals related to that field. The differences between the two types of review groups concern the nature of the research problems on which they focus. "Study sections" focus on a scientific *discipline* used in medical research, such as biochemistry, toxicology, cell biology and genetics. They were the first type (and for many years the only type) of peer review group in NIH. Most grant applications (76 percent) still are sent to study sections.

In contrast, "review committees" deal with a *particular disease or medical/social problem* and/or a particular approach to solving that problem, such as radiation therapy, chemotherapy or surgery (all of which would fall under the Cancer Clinical Investigation Review Committee). Other examples of review committees include the Alco-

The Role of the Program Director

The most important agency employee to a grant seeker is the program director, who is called "Health Scientist Administrator" in the jargon of PHS.

The program director is responsible for overseeing the grant activities in a particular scientific area within an institute or agency. Thus, in the National Cancer Institute, there are program directors responsible for carcinogenesis, tumor biology, drug development, cancer epidemiology, immunology and radiation therapy. They have a strong scientific background in the area and keep aware of recent research.

One of the most important tasks of the program director is to decide which applications that have been approved by the advisory council actually get funded. This decision is based on the current program priorities and research emphasis of the agency, something the program director determines with input from the institute's advisory council and the institute director. These responsibilities give the program director a leadership role in the field.

As the person most responsible for the scientific aspects of an agency's grant programs, the program director is the best person to contact for advice about how a planned project relates to the agency's current priorities. The phone and office numbers of PHS program directors (they are often designated as "branch chiefs") can be gotten from the *HEW Telephone Directory*, which you can get free by writing Ms. Rosie Davis, Office of the Secretary, Directory Service, HEW, North Building, Room 4079, 330 Independence Ave. S.W., Washington, D.C. 20201.

holism and Alcohol Problems Review Committee, the Clinical Psychopharmacology Research Review Committee and the Minority Group Mental Health Program Review Committee.

Review committee members usually come from several disciplines (e.g., pharmacology, biostatistics, sociology, etc.), whereas study section members are all from the same discipline.

Review committees are always associated with a particular institute, whereas study sections are independent since their concerns transcend the domain of any one institute. Administratively, the 50 study sections are a part of NIH's Division of Research Grants (DRG). In most cases, the applications they review may be funded by any one of several institutes.

The administrative structures of review committees and study sections are similar. Both are coordinated by a full-time government employee who is an expert in the field. That person is called an "executive secretary." Both types of review groups also have a "grants assistant." To get a list of NIH study sections (with the names and phone numbers of their staff), write Scientific Review Branch, DRG, NIH, Westwood Building, Room 219, 5333 Westbard Ave., Bethesda, Md. 20016.

Both study sections and review committees are commonly called "initial review groups" for an obvious reason: they are the first group to review an application.

The Process Begins

All applications come to DRG, whose primary job is to determine which study section or review committee should evaluate each application. A "referral officer" makes that determination. DRG staff also review the application to be sure it is complete and assign it a number. If it isn't complete, it is returned to the applicant, which can postpone the review.

NIH Schedule for Reviewing Applications

Receipt Date		Study Section Meeting	Council Meeting
*	**		
Feb. 1	Mar. 1	June	September-October
June 1	July 1	October-November	January-February
Oct. 1	Nov. 1	February-March	May

* Application deadlines for renewal research grants for any NIH training grant (National Research Service Awards, Research Career Development Awards), and for a program project or Center grant.

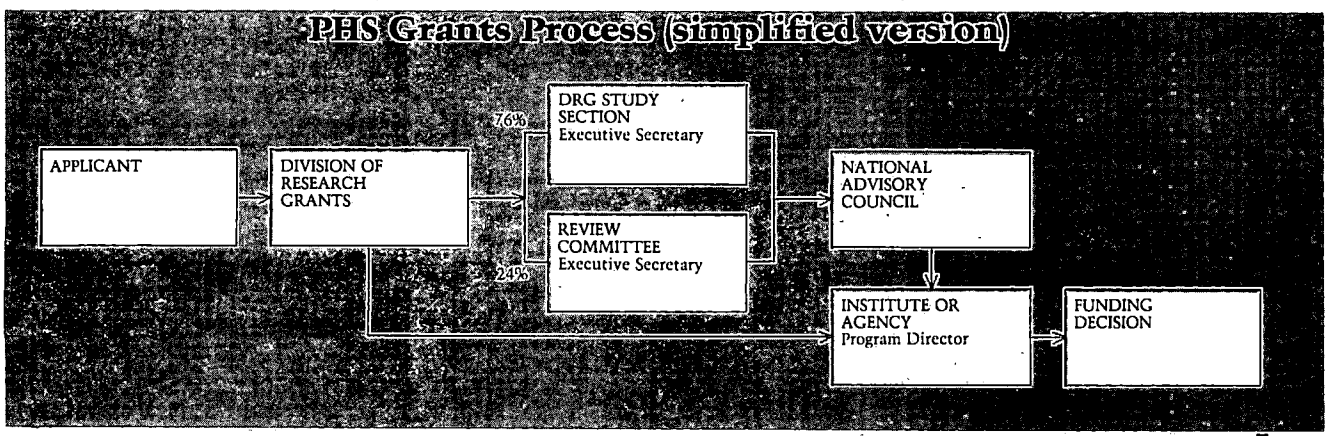
** Application deadlines for new research grants.

Incomplete applications are a common scourge at PHS. "We have bent and bowed and kissed and romanced and seduced and still people don't fill in applications properly," comments Shaw of NIAAA. "People just don't read instructions. They take great chances." The DRG sends copies of complete applications to the program director and the grants management staff in the institute and to the executive secretary of the review committee or study section. Usually several copies of the application are required, which means applications often have to be duplicated. This can create a problem, since the appendices of many large applications are not duplicated. Shaw goes so far as to say that, "People should be told not to put anything into an appendix because they are not duplicated by DRG. And that can be a real problem. We always get people saying, 'You didn't read our whole application.'" Anything essential to the proposal should be put in the narrative of the proposal.

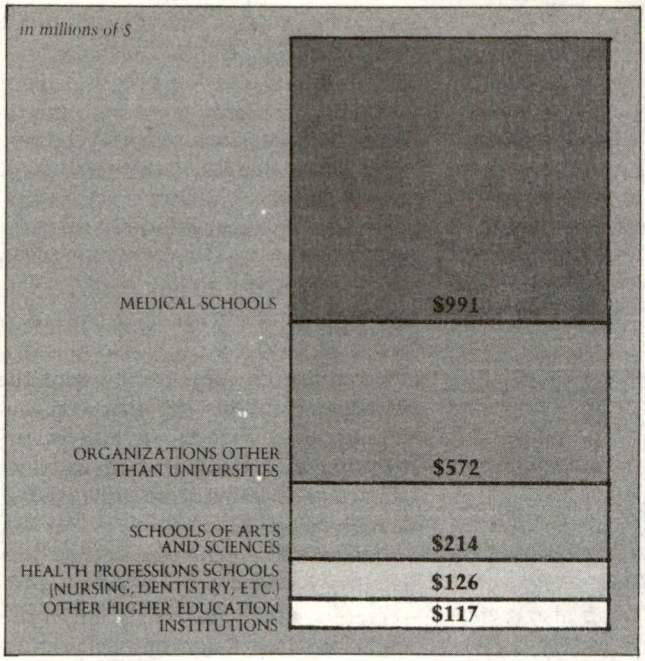
At this stage, the only concern of the program director is whether his or her institute is the appropriate one to review the application. If not, it is returned to DRG to be reassigned. If the application does not fall within the domain of any of the institutes, it is not reviewed. To avoid that frustration, make prior contact with institute staff to be sure that your project will at least be considered.

The first person to review the application closely is the executive secretary. He or she trys to anticipate questions the review committee members might ask about the proposal and gets answers, if necessary, from the principal investigator (known around NIH as the PI). If you are asked for more information, get it in as quickly as possible. Comments Shaw of NIAAA: "We never get the addenda on time. If there is sufficient time, we keep mailing addenda to the reviewers even if the deadline is missed. There have been occasions when we have brought addenda to the meeting. But reviewers don't like that."

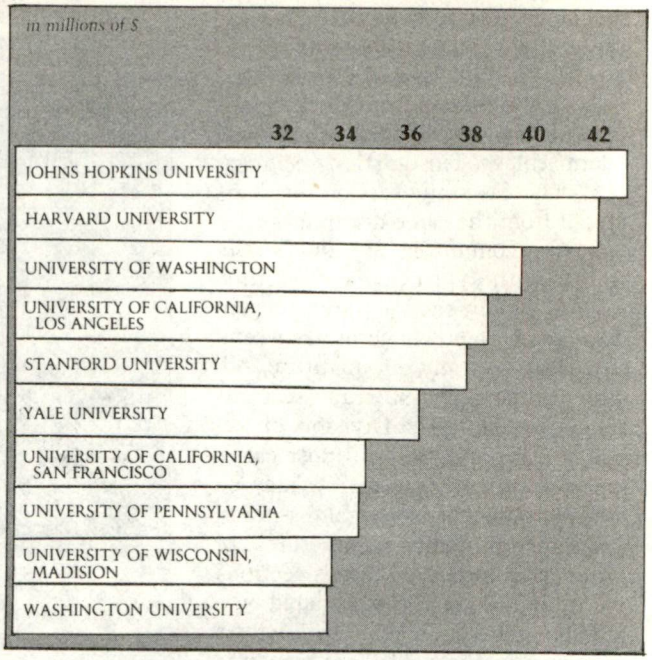
If you have made prior contact with the agency, it is less likely that you will have to submit additional material, which is good. "All people are human," Shaw says. "When you get a large, complex application with a lot of additions, your response is not going to be favorable."



Leading Recipients of NIH Money, FY '77



Top 10 Recipients of NIH Support, FY '77 *(excluding construction)*



Site Visits

Occasionally, a site visit may be conducted prior to the review committee meeting. The primary purpose of a site visit is to help the institute determine the capability of the applicant, which is done by inspecting the applicant's facilities and talking with the people who will be involved with the project. Members of the review committee and (sometimes) institute staff conduct the visit. Anywhere from two to 20 persons will participate depending on the size of the application.

What are the chances of being visited? There are two primary factors: the amount of money requested and the complexity of the project. Ninety-five percent of the applications evaluated by the institutes' review committees are visited because the applications they review are normally the largest and the most complex (often involving researchers from several disciplines). Less than five percent of the applications assigned to study sections are visited. The executive secretary makes the decision to visit or not to visit.

An upcoming site visit can generate much anxiety, but many researchers welcome them as excellent opportunities to discuss their work in depth. It is also an indication that your application is being seriously considered. For more about site visits, see "Site Visits for the Review of Grant Applications to the National Institutes of Health: Views of an Applicant and a Scientist Administrator," an article published in the February 1975 issue of *Federation Proceedings.* For a free copy of the article, write Division of Research Grants, Office of Grant Inquiries, Westwood Building, Room 448, NIH, Bethesda, Md. 20014.

Preparing For the Meeting

Before the review committee meets, the grants assistant prepares a summary of the application. Much of the summary focuses on the budget, pointing out any exorbitant or non-allowable costs in a proposal. This part of an application is usually examined closely by review committee members, particularly if there appear to be some irregularities. The lesson is that it is critical to be vigilant (though not necessarily stingy) when preparing your budget. Be sure you know PHS's regulations affecting research grant costs. (They are included in PHS's *Grants Policy Statement,* which is available for $1.30 from the Government Printing Office, Washington, D.C. 20402—stock no. 017-020-0058-7. However, the Office of Management and Budget has recently proposed changes in those rules—see the March 10, 1978 *Federal Register.)*

The summary prepared by the grants assistant will also include a brief description of the proposed project. This description is quite important as often it is the only thing a harried review committee member will have time to read. If the summary doesn't make the essence of your project clear, you're in trouble. If the summary you have included with your application is adequate, the grants assistant will often use it. That is desirable since you obviously should have a better understanding of your project than someone who has only perused your proposal. So work hard at writing an effective summary.

The summary, along with the entire application, is sent to reviewers three to six weeks before the committee meets (review committees meet three times a year—see schedule on page 7). Each application is assigned to one committee member, who is its primary reviewer. Most committees also assign each application to one or more secondary reviewers. Each reviewer normally scrutinizes 10 or so proposals that relate to his or her particular area of expertise. At an average meeting, a committee will consider about 50 applications.

Before the meeting, the primary reviewer prepares a written critique of the application which is distributed to

Priority Scores: How Good Is Good Enough?

Every grant application reviewed by an NIH review committee gets what is known as a "priority score." This score is the most important factor (though not the only factor) in determining who gets funded.

To determine the score of an application, each reviewer ranks it on a scale of one to five, *one* being the "highest" score. The individual scores are totaled, averaged and multiplied by 100 to get the priority score.

The average score for applications that were funded by NIH in fiscal 1977 was 189. The average in 1976 was 186; in 1975, 195; in 1974, 189; in 1973, 174. The variations are caused primarily by changes in the amount of funds available: as the amount of money increases more applications with less favorable scores can be funded, which causes the average priority score to go up.

The average priority score also differs from agency to agency depending on how much money an agency has to award. The average priority scores of the various institutes for fiscal 1977 were:

NCI: 198	**NIAID: 148**
NIDR: 201	**NINCDS: 167**
NIA: 203	**NICHD: 175**
NEI: 204	**NIAMDD: 176**
DRR: 209	**NIGMS: 182**
NIEHS: 210	**NHLBI: 190**

the other committee members. At the meeting, which usually lasts two full days, the primary reviewer discusses the application and recommends approval or disapproval. The application is then discussed by the entire committee, after which a vote to approve or disapprove it is taken. The executive secretary and grants assistant (and sometimes the program director) are present to answer any questions and correct any misinformation.

If the decision is favorable, each committee member gives the application a numerical score. Those scores are tallied and averaged to produce the application's priority score (see box on this page). This score is critical since not all approved applications are funded. Whether they are depends greatly on how good the score is. All of a particular committee's scores are compared with those of other committees and adjusted if they are abnormally high or low. This allows a fair comparison when applications from different review committees or study sections compete with each other for funds.

The review committee considers a number of things when evaluating an application. Many of them are suggested by the box on page 10, which lists the most common reasons that applications are turned down. Many of the reasons concern the credibility of the principal investigator. Shaw of NIAAA comments that, "The most important thing is whether the reviewer believes the applicant can deliver what is promised. Does the applicant have the management capability and technical ability to do the job?" Another good discussion of why many applications are rejected is included in "Who Reads Your Project Grant Application to the National Institutes of Health?," an article written by an executive secretary of a review committee which appeared in the January-February 1972 issue of *Federation Proceedings*. You can get free copies by writing the Division of Research Grants (see page 8).

After the meeting, the executive secretary prepares what is called a "summary statement," which includes a summary of the committee's comments about the application, the committee's recommendation, any proposed changes in the budget or other aspects of the project and the priority score. This summary statement accompanies the application on its journey to the next stop in the review process.

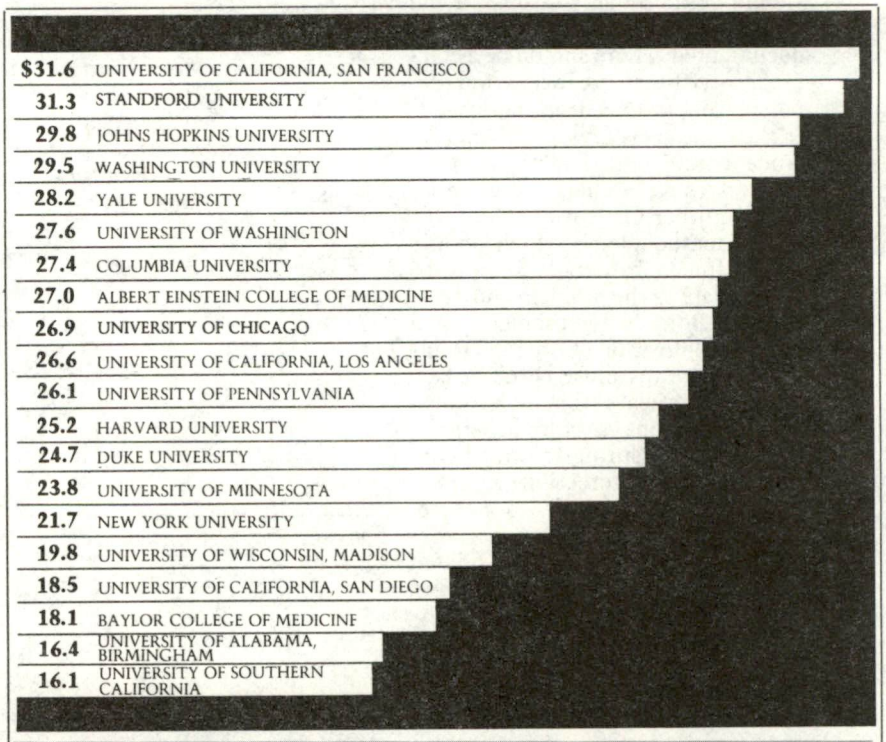
Onward

Most of the applications that survive the initial review group now must pass inspection by an advisory council, which meets about a month later. (Research grants under $35,000 are usually not reviewed by an advisory council.)

Each institute has an advisory council, a group usually consisting of 13 people that includes both respected sci-

(continued on page 11)

Top 20 Medical School Recipients of NIH Support, FY '77 *(excluding construction) (in millions of dollars)*



TOTAL - Top 20 schools of medicine: $496.4
TOTAL - All schools of medicine: $981.8

Why Applications Are Disapproved

Few things are as discouraging as a letter from a funding source saying that your request for a grant has been turned down. Why are applications denied?

In 1960, Dr. Ernest Allen, NIH associate director for research grants, published a study of why research grant proposals were disapproved. The study analyzed reviewers' comments about 605 unsuccessful applications. Allen's work, which was published in *Science*, is nearly 20 years old, but according to NIH's Division of Research Grants, his findings are still applicable.

The chart below indicates how frequently various types of deficiencies were mentioned by reviewers. Since one proposal might have more than one deficiency, the total of all percentages far exceeds 100.

The reasons why applications are turned down can serve as a checklist when reviewing your application before submitting it. The most obvious lesson to be learned is that the preparation of a grant application must be thorough. Particular attention should be given to the statement of the problem and the discussion of methodology.

The background of the problem should be thoroughly discussed and the significance of the problem well documented. There should be a comprehensive literature review and supporting quotations from colleagues in the same area of research. Also, include a statement that you communicate with researchers doing similar work in other institutions.

The methodology, which should be outlined in detail, should be appropriate to the problem and pilot-tested before being included in a formal application. Control groups and test groups must be described; the biostatistical rationale for drawing conclusions should be stated; methods for assuring informed consent by, and the protection of, human subjects must be spelled out. Also, alternative approaches to the problem ought to be carefully considered and the reasons for selecting one and eliminating others should be explained in the proposal. The reasons for each decision in the planning of the project should be carefully documented, as this gives reviewers insight into the investigator's scientific rationale.

To repeat once again, it is vital to get criticism before the application is submitted. Be open-minded about the criticism: try not to become too wedded to one definition of the problem or one approach to solving the problem. It is worth waiting until the next round of grant reviews to get a thorough critique of your proposal before submitting it.

A good source of more information on developing a research grant proposal is David Krathwohl's *How to Prepare a Research Proposal* ($2.95 plus postage from Syracuse University Bookstore, 303 University Place, Syracuse, N.Y. 13210).

AREA OF APPLICATION FOUND DEFICIENT		FREQUENCY	SHORTCOMING
The Problem	*The question which the proposed research seeks to answer*	**58%**	Problem is of insufficient importance; is more complex than the investigator realizes; warrants only a pilot study; research proposed is overly involved; description of research is without clear research aim.
The Approach	*The means by which the answer is to be sought*	**73%**	Proposed methods and procedures are unsuited to the objective; are too unclear to permit adequate evaluation; overall design not carefully thought out; statistical aspects not given sufficient consideration; controls inadequate; material proposed for research is unsuitable.
The Person	*The scientific and technical competence proposed toward pursuit of the research*	**55%**	The investigator does not have adequate experience or training; appears to be unfamiliar with recent pertinent literature or methods in his area; the investigator's previously published work in *this field* does not inspire confidence; investigator proposes to rely too heavily on insufficiently experienced associates; investigator is spread too thin; needs more liaison with colleagues.
Misc.	*Non-scientific aspects*	**16%**	Equipment and/or personnel proposed are unrealistic; other responsibilities would prevent devoting sufficient attention to the proposed project; there is an unfavorable institutional setting for the proposed research.

—from SCIENCE, November 25, 1960

entists and physicians in the field as well as prominent lay persons. The inclusion of people who are not experts is supposed to add another perspective to the review process. You can find out who is on a particular advisory council by getting *NIH Public Advisory Groups: Authority, Structure, Functions, Members,* which is published every six months by Committee Management Staff, Office of the Director, NIH, Bethesda, Md. 20014. (To get the same information about advisory groups for other PHS agencies, request *HRA, HSA, CDC, ADAMHA Public Advisory Committees: Authority, Structures, Functions, Members,* which is published by the Office of the Administrator, Division of Management Services, Committee Management Branch, Health Resources Administration, 5600 Fishers Lane, Rockville, Md. 20852.)

Advisory councils have two primary functions: to review applications and to make recommendations about the overall direction of the institute. They review all applications considered by the institute's review committees as well as relevant applications from (possibly) several study sections. These applications will be grouped according to the institute's major program areas. For example, all applications related to cancer biology (which may come from several different study sections) will be grouped together.

Like the review committees, the councils meet three times a year to consider applications. At least two weeks before their meetings, council members receive the applications and the summary statement. However, the advisory council's review is usually less exhaustive than that of the review committee, focusing primarily on a few applications that may be particularly controversial, particularly questionable or, the most common criterion for scrutiny, particularly large. Its review is primarily concerned with how a proposed project relates to the current program priorities of the institute. Most of the review committee's recommendations about the scientific merit of an application are heeded. Occasionally the council will send an application back to the review committee for further evaluation.

Shaw discusses the role of the advisory council he works with, which is called the National Advisory Council on Alcohol Abuse and Alcoholism: "Their job is not to duplicate but to check on the initial review. They represent a much broader range of people; they're not all supposed to be technical experts. They just make sure that justice has been done."

What Are the Chances of Being Funded?

It is a strenuous process to apply for a federal grant, a process that in retrospect seems even worse if the grant is not awarded. What are the chances of getting funded?

The first thing to understand is that only a relatively small proportion of NIH grant money is available to fund new projects. In fiscal 1977, 66 percent of the grant funds were used to continue support for research projects already in progress (noncompeting continuation grants). Eighteen percent were awarded to competing *renewal* research grant applications. (Usually grants are awarded for a period of three years, after which the grantee must go through a competitive process to get its grant renewed.) Only 16 percent of the funds were awarded to new or supplemental research grant applications.

In fiscal 1977, 13,841 competing research grant applications were reviewed by NIH, the most ever. Of these, 10,008 (72 percent) were recommended for funding. However, only 4,600 were funded, less than half of those recommended for funding. Thus only about 33 percent of the applications to NIH are successful.

But this figure includes both new applications *and* competing renewal applications. Out of the 10,008 applications that were recommended for funding, renewals had about a 33 percent better chance to be funded than new applications (60 percent of approved renewal applications got funded vs. 39 percent of approved new applications). Thus, new applications have approximately one chance in four of being funded.

One More Step

For most applicants, justice consists of a letter from the institute that reads "...Council has recommended approval of your proposed study." Receiving such a letter means that you have come a long way. But unfortunately, you still ain't in the money.

The final decision about whether you will be funded depends on two factors: the amount of money available and the current priorities of the institute. This decision is made by the staff of the institute. After the advisory council meets, the staff develops a "pay list" in each of the institute's program areas. The pay list is simply a list of the applications with the best priority scores *and* which relate strongly to the priorities of the agency, as determined by the program director with input from the advisory council and the institute director. In other words, an application with a very good priority score will not necessarily be funded if it does not relate to the institute's current research emphasis. This fact underscores the importance of learning as much as possible about that emphasis before developing and submitting a proposal.

If an application is approved but not funded, it will be considered for at least a year (some PHS agencies will keep unfunded applications for two years). It competes against all other approved but unfunded applications as well as newly approved applications. Unless more money becomes available or the institute's priorities change, the chances such an application will be funded are not good.

If your application wasn't approved you can find out why by requesting a copy of the summary statement prepared for the advisory council meeting, which must be made available because of the Freedom of Information Act. To get it, simply write the person who informed you of the institute's decision. The comments can help guide your development of another proposal.

If your application makes the pay list, the institute's grants management staff takes over. They will negotiate the specific amount and conditions of the grant, often awarding less money than you originally requested. The grants management staff primarily consists of two people: a grants management officer who deals with the administrative matters relating to grants and a program officer who provides technical guidance and monitors performance. But that is another story. If that becomes your concern, you've succeeded.

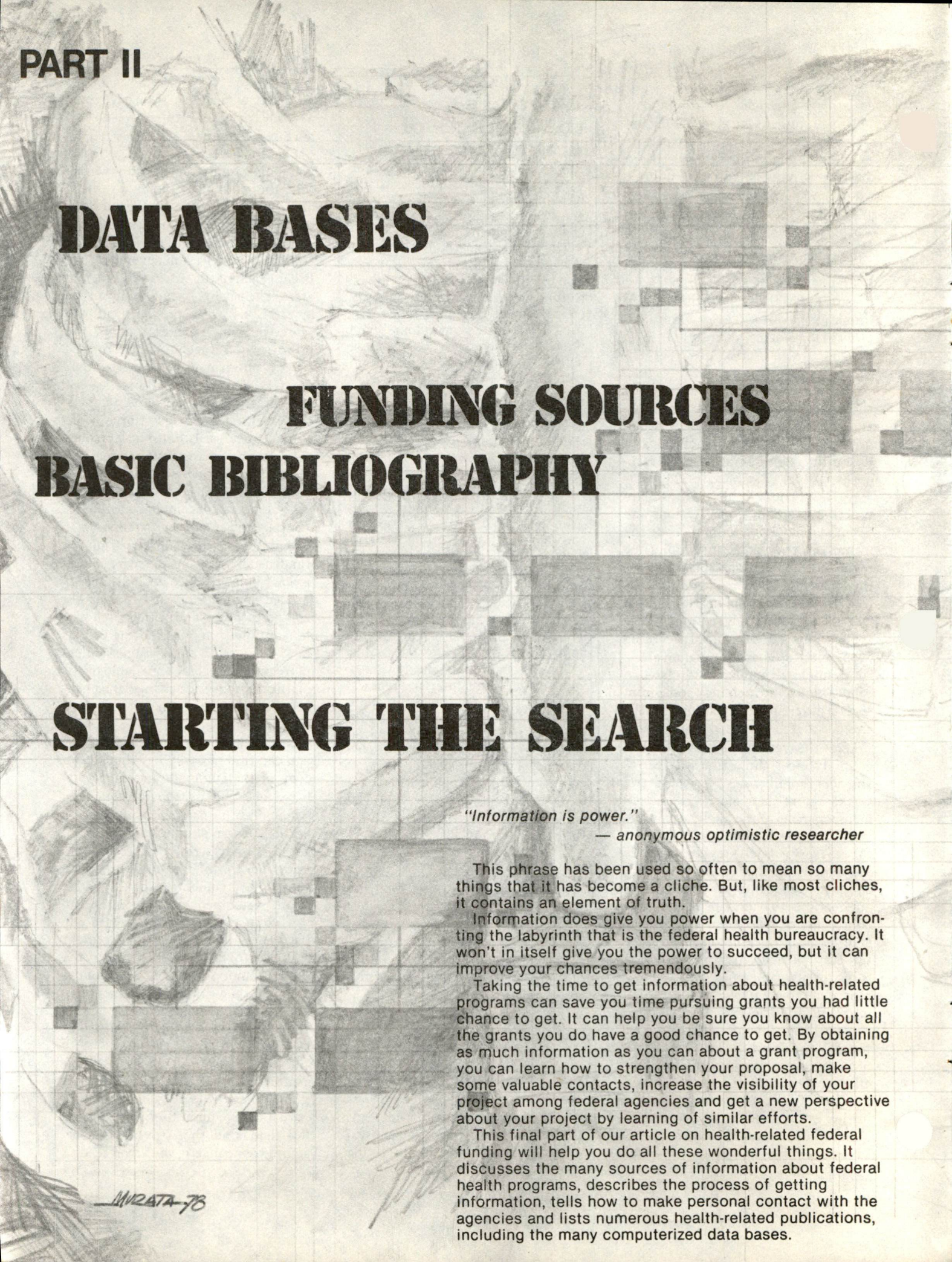
PART II

DATA BASES

FUNDING SOURCES

BASIC BIBLIOGRAPHY

STARTING THE SEARCH



"Information is power."

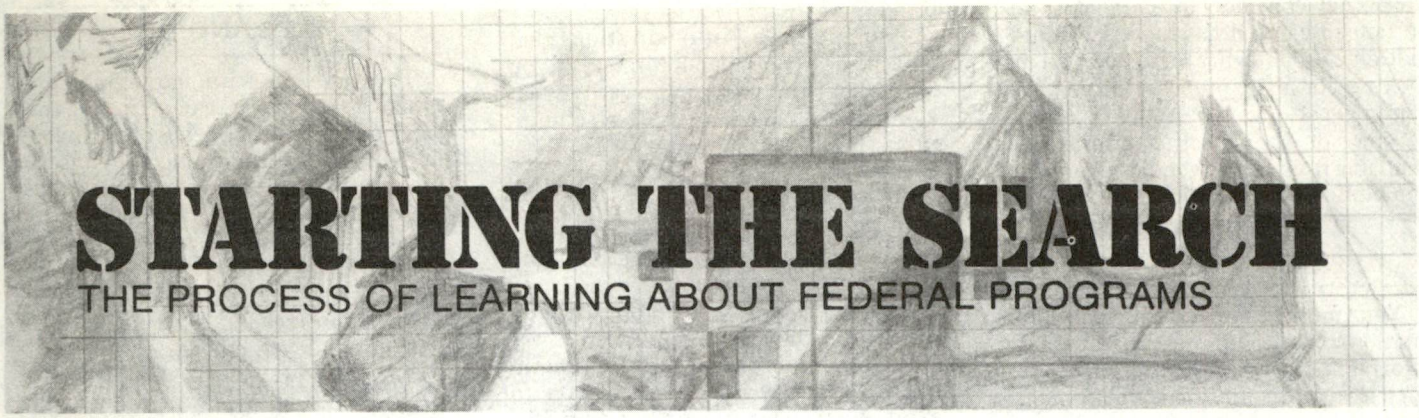
— anonymous optimistic researcher

This phrase has been used so often to mean so many things that it has become a cliche. But, like most cliches, it contains an element of truth.

Information does give you power when you are confronting the labyrinth that is the federal health bureaucracy. It won't in itself give you the power to succeed, but it can improve your chances tremendously.

Taking the time to get information about health-related programs can save you time pursuing grants you had little chance to get. It can help you be sure you know about all the grants you do have a good chance to get. By obtaining as much information as you can about a grant program, you can learn how to strengthen your proposal, make some valuable contacts, increase the visibility of your project among federal agencies and get a new perspective about your project by learning of similar efforts.

This final part of our article on health-related federal funding will help you do all these wonderful things. It discusses the many sources of information about federal health programs, describes the process of getting information, tells how to make personal contact with the agencies and lists numerous health-related publications, including the many computerized data bases.



STARTING THE SEARCH

THE PROCESS OF LEARNING ABOUT FEDERAL PROGRAMS

When searching for information about federal grant programs, you essentially need to do two things. First, you must find out about all the programs that may be potential sources of support. Once you know that, you need to keep aware of developments in those programs as well as of the development of new programs that could be sources of funds.

CASING POTENTIAL FUNDING SOURCES

The first stop for people beginning grant research is the *Catalog of Federal Domestic Assistance.* The *Catalog* describes more than 1,000 federal programs that provide some sort of assistance, though not necessarily of the financial kind. By adroitly using its many indices, you can come up with a list of several potential sources of support. Then by reading the *Catalog's* program descriptions, you can learn some vital information about each program. (A detailed description of how to use the *Catalog* is included in issue 14 of the NEWS and is available as a reprint.)

You should particularly look closely at certain parts of the program descriptions in the *Catalog*:

- By examining the "Program Objectives" and "Uses and Use Restrictions" sections, you can get a fair idea of whether the program might support the type of project you want funded.
- By looking at the "Financial Information" section, you can determine whether the program has much money and, even more importantly, whether its funding has been increasing or decreasing. If it has been decreasing, so should your expectations.
- The "Deadlines" section can tell you when you're going to have to stay up all night finishing the proposal.
- The "Applicant Eligibility" section can tell you whether you are eligible to receive funds, before you waste a month developing an ineligible proposal. (Remember, however, that some programs which indicate only state governments or local governments are eligible may still be sources of funds for a private agency if it applies to the state or local agency that receives the money.
- The "Authorization" section (noting which legislation created the program) and "Regulations, Guidelines and Literature" section provide the information needed to access these potentially important sources of information.
- And finally, the "Information Contacts" section offers some idea of who to contact for more information.

Recently, a computerized adjunct to the *Catalog* has begun to operate—the Federal Assistance Programs Retrieval System. FAPRS, as it is commonly known, is supposed to provide easier access to more timely information about federal programs, but it actually isn't much of an improvement. It is discussed in an article in issue 24 of the NEWS.

The *Federal Register* (discussed later in this section) is the best written source of information on new and changing programs and their regulations, but it requires a daily reading to be most useful.

TAPPING THE AGENCY

It may seem that the *Catalog* provides all the information you need, but unfortunately it isn't so. Its information goes out of date during the year between *Catalogs*, it doesn't provide enough specifics on who gets funded and deadlines are often nonexistent or inaccurate. Also, you simply need a great deal more information than the *Catalog* can ever provide before you can determine whether to begin developing a proposal.

The next step beyond the *Catalog* is to obtain as much information as possible from the agency itself. Most publish guides to their grant programs which can give you basic information about the programs you are interested in and perhaps suggest other possibilities. Many agencies maintain lists of grant recipients which can give you a better idea of whether a grant program might fund what you are doing or would like to do. Such a list can also inform you about other projects similar to yours, information that can be particularly helpful when you write your formal proposal.

An agency will usually also provide a set of program guidelines which offer detailed information about the nature of a program, particularly what and who can be funded. Often the program guidelines are a part of an application kit, which may include additional useful information.

Sometimes an agency will provide you with a copy of a program's regulations which, in addition to telling you about what the program is supposed to be funding and which organizations are eligible, can inform you about requirements that will be imposed on you if you get the grant. The regulations can be particularly helpful when writing the proposal, as you can make sure that your proposal relates directly to the program's legislated purpose. If the regulations are not readily available from the agency, you can retrieve them by using the citation provided by the *Catalog.*

Two other useful but often neglected documents are the authorizing legislation and the reports of the congressional committees that developed the legislation. The legislation can give you more information about the program's purpose and the committee reports can give you valuable insights about the intent of Congress in creating the program. The reports include testimony presented at legislative hearings, and the testimony can be a valuable source of data and quotes for a proposal. (There have been a few occasions when the legislation and/or the committee reports have been used to convince a funding agency that a particular activity or a certain type of organization that had been precluded from receiving funds should be funded.)

Also potentially useful are the records of the annual congressional hearings held to determine the appropriations for a particular program. The agency must present reports to Congress to justify its appropriation. These reports, which usually summarize what

the agency considers to be the most important research it has funded, can provide clues about what the agency will be looking for in a proposal during the coming year.

Some of the specific information available from HEW agencies is noted in the bibliography beginning on page 19.

MAKING PERSONAL CONTACT

Your most important source of information about a funding program is the program officer (see the first part of this article for a description of the responsibilities of program officers). Program officers may be listed in the materials you have obtained from the agency. Or you may get their names by using the agency telephone directory (see page 20). If your target is a program of one of the institutes in NIH, there is a published list of the program officers of all the various study sections and review committees (see page 21). Or you can simply call the agency and ask to whom you should speak.

Before making contact in person, first send a letter that explains why you are writing, reflects your knowledge of the program (it would be helpful to also mention the *Catalog* number of the program) and asks for an appointment. Enclose an abstract of your project, which can be in outline form. It should cover:

1. The problem or need to be addressed.
2. Your organization's competence to deal with the project, including both the organization's experience and the capabilities of the individuals who will be involved (a curriculum vitae for each key person should be enclosed).
3. The objectives of the project, stated in measurable terms.
4. Methodology, including amount of time required.
5. Facilities and equipment needed, specifying what your organization will provide and what will have to be funded.
6. Approximate budget.

Two weeks after sending the letter and abstract, call the staff person to verify that it was received and to ask for an appointment. The staff person may tell you that there is no chance of your project being funded, in which case you save time.

If you get an appointment, you should begin preparing for it. If possible, develop a draft proposal to take with you to the interview, which should be a more complete statement of your project than the abstract. If you can't prepare the draft proposal, at least think more about the specifics of your project so that you are prepared for questions about costs, methods, anticipated results, etc. Be very clear about what the benefits of the project will be.

Also, prepare a list of questions that will allow you to get information you need about the program or verify what you already have learned. These questions should cover several areas:

- What is the agency's *current* program emphasis? Has that been changing or will it soon change?
- What type of specific projects is the agency currently funding?
- How does/could your proposed project fit into the agency's interests?
- How can your proposal be strengthened? Try to get the staff person to express any reservations he or she might have about the project, then respond if you can. If you don't know the answer to a particular question, offer to include the answer in the final proposal.
- Is there literature and are there other projects that you should be aware of?
- Ask for suggestions about your proposal's format, content, length, style, amount of detail, methodology and literature review. You may request a copy of a grant application which the agency has funded (which should be provided under the Freedom of Information Act), but don't rely on it too heavily because it may not be an exemplary application just because it received funding.
- Get a reaction to your budget. Does it seem excessive or understated? Is it in keeping with the average size of grants made by the agency? Will the agency pay for things like fringe benefits, equipment, supplies, publications, conferences, travel, consultants, overhead, fees to experimental subjects, etc?
- Will the agency consider long-term funding for a new project or should you request a smaller amount of money for a pilot project?
- When is the next deadline and how soon should you try to get a proposal in before the deadline? When will the review group and advisory council meet?
- Who will be on the review group that will be evaluating your proposal? What are they looking for in particular?
- What will be required if you get a grant, such as reporting, accounting, affirmative action, protection of human subjects, etc? This information is usually found in the *Catalog*, but you may want to verify it.
- What other funding agencies should be contacted?

If a grant from the agency still seems possible after the interview, send a follow-up letter. In the letter, restate every important point made in the interview. For example, if you were told to submit a formal proposal, state that in the letter. Doing this will ensure that there are no misunderstandings and will communicate your intention to proceed with the application.

KEEPING UP

The problem with most grant programs for a new grant seeker is that most or all of the money is often already committed to other projects. Thus the key is knowing as far in advance as possible when a new program has been created, when new funds will become available or when major changes in emphasis have been made.

There are several ways to keep up with these developments.

The best way is to simply know people who will tell you about them. Good contacts—with colleagues or with program officers—are just as important in grantsmanship as they are in most other pastimes. The national office of an association in your field can also often provide useful and timely information about particular programs.

In most research fields there are networks of scientists (often called "informal colleges") who share information about new developments in grant programs (in addition to doing things like sharing results, trading data and reviewing each other's work). Getting into this network is quite obviously vital, and it usually only happens after a researcher has established a certain reputation. There are things one can do to establish these types of contacts, however, such as attending conferences and seminars, corresponding with others in the same field and asking others to review a proposal.

Conferences are particularly important. As anyone who has attended many conferences knows, some of the most important business is conducted in the hallways, over a drink or around a dinner table.

If you're in a university or large hospital, another way of learning about important developments is through the institution's grants office. The best ones pour through published materials and tell you about the tidbits they find. But many of them don't do a very good job of that, often because they don't have enough funds themselves. One of the most important steps one could take in looking for a grant may be advocating for an improved grants office.

Though it's laborious to read them, two key publications can keep you up-to-date on grant and contract possibilities. The *Federal Register* ($50 a year, available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402) includes regulations for new grant programs or changes in old regulations. The *Commerce Business Daily* ($80 a year, also from GPO) lists research contracts that are available (how to use it is discussed in issue 15, also available

in the reprint "The New Contractsmanship.")

Short of going through these two daily publications, there are other things you can do to keep up which are relatively simple.

First, you should get on the mailing list of any federal agency that may be a source of funds. This is the best way to get timely information. How to get on the mailing list of health-related agencies is noted on page 21.

Second, determine (by asking others and requesting sample copies) the one or two best newsletters in your field and order them, even if the cost is high. A good newsletter can keep you informed of important pending legislation, new programs, new or changed regulations, personnel changes, changes in program emphasis, critical reports that may be the precursors to such a change and other important developments.

Finally, to state the obvious, in addition to knowing what is happening in the agencies, you need to know what is happening in your field. Nothing can be quite as destructive to your grant-seeking efforts as demonstrating ignorance of some recent development in your field. The obvious way to keep up is by reading scientific journals, particularly the annual review articles that provide a prose summary of research published during the previous year. There are also more sophisticated ways of keeping up, such as the computerized MEDLINE service of the National Library of Medicine (see page 24).

FUNDING SOURCES

WHERE THE GRANTS ARE

More than three dozen federal agencies, ranging from the National Aeronautics and Space Administration to the Department of the Interior, will have over $60 billion to support health-related activities in fiscal 1979. The chart on page 17 indicates how much health money each agency controls.

Most health grant money is, however, concentrated in a handful of agencies, by far the biggest being the mammoth Department of Health, Education and Welfare. Author Virginia White put HEW funding into perspective by pointing out that the chance of getting a grant from HEW "is statistically greater than that of getting one from all other grant sources combined." HEW money supports a myriad of activities, including research, training, service delivery, demonstrations, construction and planning.

Most of HEW's health-related grant funds are distributed by the six agencies that make up the Public Health Service (PHS)—the Health Resources Administration, the Health Services Administration, the Food and Drug Administration, the National Institutes for Health, the Center for Disease Control and the Alcohol, Drug Abuse and Mental Health Administration.

We'll briefly review here the grant programs of each HEW agency. More information about each agency's specific programs can be found in *Public Health Service: Profiles of Financial Assistance Programs* (see page 19) and in program guides published by each agency.

ASSISTANT SECRETARY FOR HEALTH

Overseeing all of the PHS agencies is the Office of the Assistant Secretary for Health. This powerful office has policy-making authority for all HEW health programs, which involves assessing the need for individual programs, coordinating the many separate PHS programs and doing long-range health planning.

The office also administers a few programs, two of which were recently transferred from the Health Resources Administration—the National Center for Health Statistics and the National Center for Health Services Research. The office may soon be the recipient of yet another program—the $60 million Adolescent Health Services and Pregnancy Prevention Program requested by President Carter in his fiscal 1979 budget.

The **National Center for Health Statistics** has a training and technical assistance program to assist researchers compile health data. Contact: Applied Statistics Training Institute, Cooperative Health Statistics System, National Center for Health Statistics, 5600 Fishers Lane, Rockville, Md. 20857.

The **National Center for Health Service Research** conducts and supports research on important health care delivery and financing problems. Contact: National Center for Health Services Research, 5600 Fishers Lane, Rockville, Md. 20857.

The **Health Maintenance Organization Development Program** makes grants and loans to organizations that plan to develop and operate a qualified Health Maintenance Organization (HMO). Contact the Office of Health Maintenance Organizations, Rm. 12-05 Parklawn Blvd., 5600 Fishers Lane, Rockville, Md. 20857.

ALCOHOL, DRUG ABUSE AND MENTAL HEALTH ADMINISTRATION (ADAMHA)

One of the primary sources of federal support for health-related community organizations is this agency, whose name is quite descriptive if rather unwieldy. It has three components.

The **National Institute on Alcohol Abuse and Alcoholism (NIAAA)** supports research, training, demonstrations and service provision concerned with alcoholism. There are four divisions within NIAAA: Prevention; Special Treatment and Rehabilitation; Research; and Resources Development. For information about NIAAA programs; contact either the Contracts Management Branch, the Grants Management Branch, Research Branch or Training Branch at the following address: National Institute for Alcoholism and Alcohol Abuse, 5600 Fishers Lane, Rockville, Md. 20857.

The **National Institute on Drug Abuse (NIDA)** supports basically the same types of activities as NIAAA, the difference being its focus on abuse of substances other than alcohol. There is

support for research (on both drug abuse itself and on methods of prevention and treatment), training, service delivery and facilities construction. For information, contact: National Institute on Drug Abuse, Rockwell Building, 11400 Rockville Pike, Rockville, Md. 20852.

The **National Institute on Mental Health (NIMH)** like its two sibling agencies, supports research, training, demonstrations, service delivery and facilities construction, with a focus on preventing and treating mental illness. It has an interesting small grant program intended for projects limited in scope and usually done by less experienced investigators.

Most NIMH funds have gone to support community Mental Health Centers and basic and clinical research related to mental health. There may soon be some changes, however, in response to the recent report of the President's Commission on Mental Health. That report emphasized the importance of community-based care of the mentally handicapped and of increased access to mental health services for the elderly, the poor and minorities.

For information on NIMH, contact: National Institute on Mental Health, 5600 Fishers Lane, Rockville, Md. 20852.

CENTER FOR DISEASE CONTROL (CDC)

In certain respects, the CDC is the workhorse agency of the federal health establishment, being involved in the nitty gritty activities of controlling and preventing communicable diseases and other public health problems such as lead-based paint poisoning. The Center is also involved in such things as establishing foreign quarantines and upgrading, evaluating and licensing clinical laboratories.

The Center's **National Institute for Occupational Safety and Health (NIOSH)** makes grants for research and demonstrations related to understanding the causes of occupational safety and health problems and developing effective solutions to them. NIOSH also gives training grants to develop specialized professionals in occupational safety and health problems. Fields emphasized are occupational medicine, nursing, industrial hygiene and safety. For information about these two programs, contact: National Institute for Occupational Safety and Health, Center for Disease Control, 5600 Fishers Lane, Rockville, Md. 20852.

The Center also administers a program that makes grants related to its lead-based paint poisoning control program and its urban rat control program. There are also grants to help states (or their political subdivisions) control communicable and chronic diseases. For information on these programs, contact: Center for Disease Control, Public Health Service, 1600 Clifton Rd. N.E., Atlanta, Ga. 30333.

FOOD AND DRUG ADMINISTRATION (FDA)

The FDA is one of the better known (and most controversial) health-related federal agencies because of its work in examining the content and labeling of foods and testing the safety of drugs and medical equipment. Its grants support research in these areas. For information, contact: Office of Extramural Research, Food and Drug Administration, 5600 Fisher Lane, Rockville, Md. 20852.

HEALTH RESOURCES ADMINISTRATION (HRA)

The resources the HRA is concerned about are health-related personnel and facilities. It administers a number of training and construction programs and also coordinates health planning. Two divisions run HRA's grant programs:

The **Bureau of Health Manpower (BHM)** administers programs to train all types of professional and paraprofessional personnel in health. Its programs fall into three categories, the largest being Health Professions Education, which includes 18 separate grant programs. All but one—the National Health Service Corps—involve grants that are made to institutions rather than individuals. The second category is Health Professions Student Assistance, which involves long-term, low-interest loans for students in the health professions and nursing. The third category is Nursing Programs, which involves eight grant programs.

For information about any BHM programs, write: Bureau of Health Manpower, Health Resources Administration, Public Health Service, Federal Center Building No. 2, 3700 East-West Highway, Hyattsville, Md. 20782.

The **Bureau of Health Planning and Resources Development** is charged with implementing the Health Planning and Resources Development Act of 1974, which is a major effort to improve health planning and thereby control the cost of health care. There are grant programs for local Health System Agencies and for state Health planning agencies. The "HSAs" control much of the federal health funding coming into a particular region.

This agency also has a Medical Facilities Construction program, but its funding is being severely cut back.

For information, contact: Bureau of Health Planning and Resources Development, Health Resources Administration, Federal Center Building, 3700 East-West Highway, Hyattsville, Md. 20782.

HEALTH SERVICES ADMINISTRATION (HSA)

As its name suggests, HSA is responsible for providing and overseeing health services. Two divisions run most of HSA's grant programs.

The **Bureau of Medical Services** primarily provides health care to federal employees (among others), but it also administers one grant program: the Emergency Medical Services Program. This program makes grants for comprehensive areawide emergency medical services systems. For information, contact the appropriate HEW regional office (see pages 19 and 20).

The **Bureau of Community Health Services** makes grants to improve the delivery of a wide variety of health care services. Its 14 programs include Family Health Centers, Migrant Health Program, National Health Service Corps and Maternal and Child Health Projects.

(The HSA also administers the Indian Health Service.)

For information, contact: Bureau of Community Health Services, Health Services Administration, Public Health Service, Parklawn Building, 5600 Fishers Lane, Rockville, Md. 20857.

NATIONAL INSTITUTES OF HEALTH (NIH)

NIH is the giant in terms of grant money, supporting nearly 80 percent of the nation's biomedical research. It includes 14 agencies, most of which run several grant programs. Sources of information about NIH programs are noted on pages 19-21.

One NIH agency—the **National Library of Medicine**—has programs that cut across specific fields and are not as well known as other NIH programs. NLM's primary activity is maintaining a vast medical information system, the nature of which is discussed on page 23. But it also administers three grant programs.

One simply provides several types of grants to medical libraries. The other two are oriented toward individuals.

The first, Special Scientific Projects, gives grants to individuals to write definitive works on major health specialties or problem areas. The second, Publication Grants, makes grants to institutions and individuals for reviews or monographs on a variety of subjects. These include the present state of biomedical research or health care; history of medicine; medical librarianship; health information sciences and biomedical communications; handbooks, directories, manuals, bibliographies, atlases

Sources of federal health funds, fiscal 1979

(proposed outlays presented by the Carter Administration to Congress 1/23/78)
(in millions of dollars)

DEPARTMENT AND AGENCY	HEALTH RESEARCH	HEALTH TRAINING AND EDUCATION	HEALTH CONSTRUCTION	HEALTH PLANNING ACTIVITIES
Department of Health, Education and Welfare				
Health Services Administration	$ 15	$ 45	$ 109	$ 18
Health Resources Administration	———	337	166	179
Alcohol, Drug Abuse and Mental Health Administration	199	111	36	17
Center for Disease Control	58	8	———	———
National Institutes of Health	2,532	203	81	———
Food and Drug Administration	26	———	5	———
Office of the Assistant Secretary for Health	32	1	1	82
Health Care Financing Administration	18	———	———	———
Other HEW	16	80	———	7
Department of Defense	132	337	258	8
Veterans Administration	113	334	394	28
Department of Housing and Urban Development	———	———	63	1
Department of Agriculture	97	———	24	5
Environmental Protection Agency	84	———	———	———
National Aeronautics and Space Administration	51	———	2	———
Department of Energy	199	———	8	———
Department of Labor	4	27	———	———
Department of State	4	9	———	2
National Science Foundation	63	———	———	———
Department of the Interior	47	———	5	———
Department of Transportation	6	3	16	9
Department of Justice	1	———	2	5
Other Agencies	54	58	93	23
TOTAL PROPOSED FEDERAL OUTLAYS FOR HEALTH, FY 1979:	$3,750	$1,553	$1,262	$ 384

REFERENCE: THE FEDERAL BUDGET, Fiscal Year 1979: Special Analyses. Published by Office of Management and Budget, Executive Office of the President, Washington, D.C. January 1978.

ITEMS OMITTED: Indirect Federal Hospital and Medical Services, $47 billion; Direct Federal Hospital and Medical Services, $7.8 billion; Consumer and Occupational Health and Safety, $1.2 billion.

and other reference sources; English translations of current foreign biomedical monographs; conference proceedings; and secondary journals.

For information on all three of these programs, contact: Associate Director for Extramural Programs, National Library of Medicine, 8600 Rockville Pike, Bethesda, Md. 20014.

HEALTH CARE FINANCING ADMINISTRATION

Aside from the Public Health Service, another major administration in the "H" of HEW offers grants for health research and demonstration projects. The Health Care Financing Administration is concerned with the money questions about health care and the administration of Medicare and Medicaid. In fiscal 1978 $6 million was available from this grant program.

Demonstration projects eligible for funding include those exploring new financing mechanisms or control; management or administration procedures; service delivery concepts; or technological innovations to improve Medicare and Medicaid programs.

Research grants are for development of knowledge about the basic nature of costs and inflation in the health care field or to study the economic and behavioral relationships between health care financing methods and the activities of the health care sector.

For further information contact: Grants Management Office, 330 C Street S.W., Room 4200 C, Washington, D.C. 20201 (202) 245-0671.

OTHER FEDERAL SOURCES

While HEW agencies dominate federal funding for health, they are not the only federal sources of support for health-related activities. The Agriculture Department, for example, supports nutrition research, HUD supports some hospital construction, and the Veterans Administration has a medical research program as does the Defense Department.

National Science Foundation (NSF)

NSF is the primary supporter of basic research in a number of scientific fields, including mathematics; biology; social, environmental and behavioral sciences; engineering; and physics. One of its divisions, the Science and Engineering Applications Directorate (formally called RANN—Research Applied to National Needs), supports applied research. It has two policy-oriented divisions, one concerned with basic research that is focused on a particular problem, the other with applied research that is directed at a problem. NSF also funds a comprehensive science education program.

The best sources of information about NSF's programs are noted on page 19.

Department of Agriculture

Agriculture sponsors a nutrition research program and some biological, social and behavioral research. Studies cover human nutrition, behavioral factors affecting food preferences and the social and institutional factors affecting nutritional behavior, together with much demographic research.

For more information, write: Office of Competitive Grants, Science and Education Administration, Department of Agriculture, Washington, D.C. 20250.

Department of Defense

The defense establishment conducts substantial medical research, some basic biomedical research and a good deal of behavioral/social science research related to personnel performance. Most of the research that isn't done in-house is accomplished through contracts with a variety of private institutions.

For information, contact:

Army: Major General W. S. Augerson, Assistant Surgeon General for Research and Development, Room 8G082, Forrestal Building, 1000 Independence Ave. S.W., Washington, D.C. 20314; (202) 693-8041.

Navy: Capt. W. F. Miner, Commanding Officer, Naval Medical Research Institute, 8901 Wisconsin Ave., Room 122, Building 17, Bethesda, Md. 20014; (202) 295-0021.

Air Force: Life Sciences Division, Air Force Office of Scientific Research/NL, Bolling Air Force Base, Washington, D.C. 20332. (Request information on research programs and mini-grant programs. Additional facts are in the publication, *Air Force Systems Command Research Objectives*, available from the National Technical Information Service, Department of Commerce, Springfield, Va. 22161.)

Department of Labor

Two programs with health components are located in the Labor Department. The Occupational Safety and Health Administration (OSHA) sponsponsors a program (which includes some granting and contracts), to develop standards, regulations, inspection and enforcement of occupational safety and health. OSHA's main priority at this time is restricting the exposure of workers to toxic substances. Contact: Dr. Eula Bingham, Assistant Secretary of Labor for Occupational Safety and Health, 200 Constitution Ave. N.W., Room S2315, Washington, D.C. 20210; (202) 523-9361.

The Mine Safety and Health Program was transferred to Labor from the the Department of Interior in March, and received a funding boost of 13 percent over fiscal 1978. It is concerned with establishing requirements for safety and health standards in mines. Current priorities are focused on protection of metal miners in surface and underground mines, inspection of mines and research on the amounts of gases to which miners can be exposed. For more information contact: Mining Safety and Health Information Office, 4015 Wilson Blvd., Room 902, Arlington, Va. 22203; (703) 235-1452.

National Aeronautics and Space Administration (NASA)

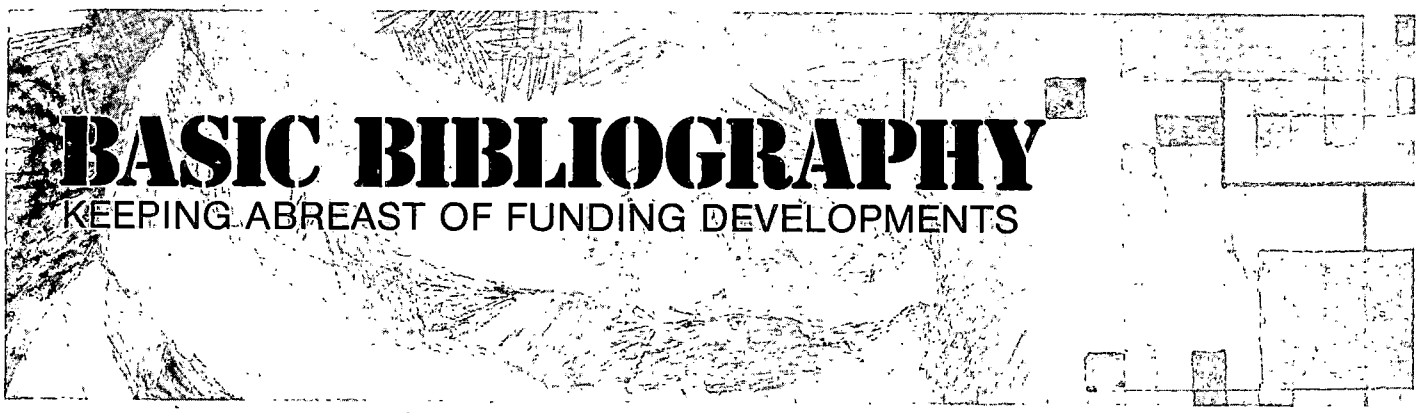
NASA's Life Scientists Program sponsors a variety of space research programs which include biomedical research, bioengineering and human performance research related to health, behavioral science and the stress of space flight. Contact: David L. Winter, M.D., Director for Life Sciences, National Aeronautics and Space Administration, Code SB3, Washington, D.C. 20546; (202) 755-6280.

Environmental Protection Agency (EPA)

Public health programs within EPA are targeted at the elimination and control of pollutants, such as toxic substances in drinking water, solid waste pollution and air pollution. In the fiscal 1979 budget is a proposed program of consolidated grants to each state to increase funding of solid waste programs in particular, and also to implement the hazardous wastes regulatory program and regulatory programs covering drinking water and air pollution. For further information, contact: Douglas M. Costle, Administrator, Environmental Protection Agency, 401 M Street S.W., Room 1200, Mail Code A100, Washington, D.C. 20460; (202) 755-2700.

Veterans Administration

The Veterans Administration's Medical Research Program is similar to NIH research in many ways, but concentrates on the special needs of disabled veterans. Conducted in VA hospitals, universities and other research institutions, the program's main emphasis is on the development of prosthetics and treatment of chronic diseases of veterans. For further information, write: Thomas F. Newcomb, M.D., Assistant Chief Medical Director for Research and Development, Veterans Administration Central Office, 810 Vermont Ave. N.W., Washington, D.C. 20420; (202) 389-2616.



BASIC BIBLIOGRAPHY

KEEPING ABREAST OF FUNDING DEVELOPMENTS

The Public Health Service and its various component agencies do a very good job of providing useful information about their activities. The information ranges from descriptions of grant programs to listings of grant recipients to elucidations of an agency's procedures and personnel. In addition, certain general federal publications can help the health grant seeker learn the federal ropes. And to keep up with all the comings and goings in the health world, a number of private firms publish periodicals about health research and funding opportunities.

DESCRIPTIONS OF PHS GRANT PROGRAMS

The best overview of the majority of the government's health-related programs is **Public Health Service: Profiles of Financial Assistance Programs.** It provides essential information (purpose, eligibility, basis for awarding funds, contacts) about all 138 grant programs administered by the six agencies that form PHS.

Profiles is free from any regional PHS office (see list below) or from the page 22 Grants Management Office, PHS. You may purchase a copy for $1.90 from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402 (stock no. 017-020-0086-2).

Some PHS agencies have publications describing their programs in a bit more detail.

National Institute of Mental Health: Research Support Programs and Activities describes this agency's research programs, its grant review process and its organization. It's available from Program Analysis and Evaluation Section, Division of Extramural Research Programs, NIMH, 5600 Fishers Lane, Rockville, Md. 20857.

National Institute of Mental Health: Division of Special Mental Health Programs—Program Statement 1978 (due in October) describes NIMH programs dealing with such social problems as the mental health of the aging, crime and delinquency, minority group mental health problems and rape. It's available free from the Division of Special Mental Health Programs, NIMH, 5600 Fishers Lane, Rockville, Md. 20857.

A more specialized publication from NIH is **NIH Support of Meetings.** It describes how to get a grant to support certain costs of scientific meetings in health or biomedical research. Copies are available from the Office of Grants Inquiries, Division of Research Grants, NIH, Bethesda, Md. 20014.

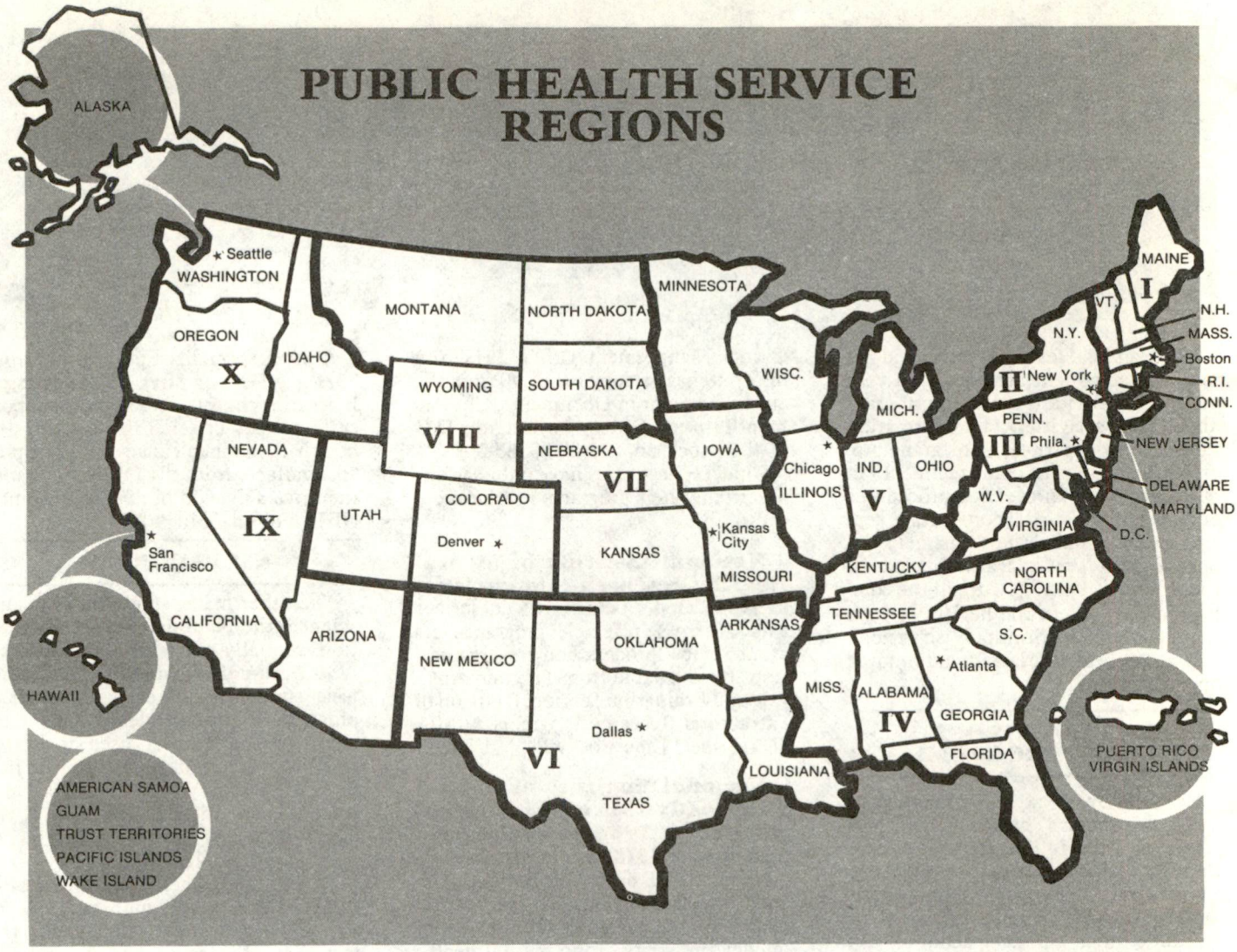
NSF PROGRAMS

The other major supporter of health science, the National Science Foundation, annually publishes its **Guide to NSF Programs,** which includes one-page summaries of each of its grant programs. It also includes a useful statement of the criteria used to select research projects. It can be obtained free from the Publications Office, National Science Foundation, 1800 G Street N.W., Washington, D.C. 20550; (202) 632-4128 (publication no. NSF77-50).

NSF also publishes **Grants for Scientific Research** (pub. no. NSF 76-38), a 53-page booklet which details the format to follow when applying for basic research grants, and **NSF Bulletin**, a periodical update on grant programs, deadlines and publications. They are available free from the above office.

PUBLIC HEALTH SERVICE REGIONAL HEALTH OFFICES

Region	Address	Regional Health Administrator
I	John F. Kennedy Fed. Bldg. Boston, MA 02203 (617) 223-6827	Edward J. Montminy (Acting)
II	26 Federal Plaza New York, N.Y. 10007 (212) 264-2560	Nicholas J. Galluzzi, M.D.
III	P.O. Box 13716 Philadelphia, Pa. 19101 (215) 596-6637	H. McDonald Rimple, M.D.
IV	50 Seventh St. N.E. Atlanta, Ga. 30323 (404) 881-4007	George A. Reich, M.D.
V	300 South Wacker Dr. Chicago, Il. 60606 (312) 353-1385	E. Frank Ellis, M.D.
VI	1200 Main Tower Bldg. Dallas, Tx. 75202 (214) 655-3879	Floyd A. Norman, M.D.
VII	601 East 12th St. Kansas City, Mo. 64106 (816) 374-3291	Holman R. Wherritt, M.D.
VII	19th and Stout Sts. Denver, Co. 80294 (303) 837-4461	Hilary H. Connor, M.D.
IX	50 United Nations Plaza San Francisco, Ca. 94102 (415) 556-5810	Sheridan L. Weinstein, M.D.
X	1321 Second Ave. Seattle, Wa. 98101 (206) 442-0430	David W. Johnson, M.D.



INFORMATION ABOUT THE AGENCIES

A variety of publications provide information about the organization and operation of federal health funding agencies. Several are concerned with the regulations governing grant programs:

Grants Administration, Department Staff Manual (HEW) includes the general requirements that all HEW agencies must follow. Frequently updated, it is available from the Superintendent of Documents, GPO, Washington, D.C. 20402 (subscriptions are $17.50; stock no. HE 1.6-7).

The **PHS Supplement to the HEW Grants Administration Manual** is more directly relevant to people in health-related fields. It includes regulations implementing the policies contained in the HEW Manual and PHS's own grants administration policies. It is sent to the business office of institutions that have received grants. Write to Division of Grants and Contracts, Office of Administrative Management, PHS, 5600 Fishers Lane, Rockville, Md. 20852.

PHS Grants Policy Statement (and the addendum to it) is quite useful because it describes in clear terms all administrative requirements. It covers types of grants, methods of payment, application and funding procedures, direct and indirect costs, refunds and changes in a project and reporting requirements. Available from the Superintendent of Documents, GPO, Washington, D.C. 20402 ($1.30; stock no. 017-020-0058-7).

Another useful guide to the health bureaucracy is **Activity Codes, Organizational Codes and Definitions Used in Extramural Programs.** This 41-page publication discusses the 17 different kinds of research grants, the 19 different types of project grants, the six general research support grants, the construction grant program, the 13 types of applied training grants, 20 kinds of training program projects, five kinds of general education support grants, 17 kinds of fellowships, 10 kinds of research career program awards and 15 kinds of research training grants. It also gives the numerical codes for review committees and grant-awarding agencies. Available free from Office of Grants Inquiries, Division of Research Grants, NIH, Bethesda, Md. 20014.

A couple of publications can give you the names, phone numbers and addresses of agency personnel:

The **HEW Telephone Directory** is bigger than many city directories, being some 204 pages thick. You can get on the mailing list to receive a new one when it's issued by writing Rosie Davis, Office of the Secretary, Directory Service, HEW, North Building, Room 1725, 330 Independence Ave. S.W., Washington, D.C. 20201.

A little smaller is the **NIH Telephone Directory,** which is updated three times a year. To get it, write George Hoff, Chief, Telecommunications Branch, Division of Administrative Services, NIH, Building 1, Room 209-A, Bethesda, Md. 20014.

To learn who reviews your proposal and how the review process works, you can obtain a copy of **NIH Public Advisory Groups.** It describes the authority, structure, functions and members of groups who review proposals. It comes out twice a year (supposedly in January and July, but it's usually late) and is available from: Office of Grants Inquiries, Division of Research Grants, Room 448, Westwood Building, NIH, Bethesda, Md. 20014. (To get the same information about advisory groups for other PHS agencies, request *HRA, HSA, CDC, ADAMHA Public Advisory Committees; Authority, Structures, Functions, Members,* which is published by the Office of the Administrator, Division of Management Services, Committee Management Branch, Health Resources Administration, 5600 Fishers Lane, Rockville, Md. 20852.)

Several other free publications available from the above address illuminate the proposal review and granting process: **Who Reads Your Project Grant Application to the National Institutes of Health; Grants: Fuel That Feeds Research; Peer Review of Research Grant Applications at the National Institutes of Health; Site Visits for the Review of Grant Applications to the NIH;** and **The Project Grant Application of the NIH.**

A good way to learn more about the people who are reviewing your proposals is to look through the **Scientific Directory and Annual Bibliography,** which lists the scientific publications of the staff of NIH. Contact: Division of Scientific Reports, Office of Communications, Office of the Director, Building 1, Room 307, NIH, Bethesda, Md. 20014.

To find out about other useful NIH publications, get the NIH Publications List from Editorial Operations Branch, Division of Public Information, Office of the Director, NIH, Building 31, Room 2B-03, Bethesda, Md. 20014.

KEEPING AWARE OF CHANGES

A number of periodic publications can inform you of changes in health-related programs. The most important step is to get on the mailing lists of the agencies you are interested in. To help you do that, you can get a list of press offices in **Directory of HEW Information Sources.** It's available free from: HEW Press Office, Room 638E, 200 Independence Ave. S.W., Washington, D.C. 20201; (202) 245-6343.

NIH publishes several periodicals **NIH Guide for Grants and Contracts** is one of the most valuable, as it includes all basic information concerning available grants and contracts. It includes two kinds of periodic mailings. The **NIH Guide,** printed on white paper, provides policy and administrative information concerning NIH grants and contracts as well as guidelines for new programs. **NIH Guide Supplement** is printed on yellow paper for contracts and blue for notices of new grant programs. When ordering, you can specify which areas you are interested in. Request an order form from: Grants and Contract Guide Distribution Center, Division of Research Grants, NIH, Westwood Building, Room 219, Bethesda, Md. 20014.

NIH Record is a newsletter to employees of NIH. It includes reports of current scientific developments, information regarding new personnel and notice of new NIH publications. It is issued twice monthly. To get on the mailing list, write: Irving Goldberg, Director, Division of Public Information, Office of Communications, NIH, Bldg. 1, Room 305, Bethesda, Md. 20014.

NOT AVAILABLE

News and Features from NIH is the agency's way of getting news about its programs to the public once a month. It includes news about research being conducted at the 11 NIH institutes, available publications, etc. Available to science writers and editors (or other interested parties) from: NIH News Branch, 9000 Rockville Pike, Building 31, Room 2B10, Bethesda, Md. 20014.

News Releases are published frequently but irregularly. They can provide valuable background information about new grant programs or new research findings. News Releases are available *only to bonafide writers or reporters for publications,* including newsletters and may have their name placed on the NIH News Release mailing list by writing Mr. Guy W. Moore, Chief, News Branch Office of Communications, NIH, Bldg. 31, Rm. 2B-10, Bethesda, Md. 20014 indicating the name of their publication.

Public Health Reports, a bimonthly publication of the Public Health Service, includes in-depth articles about PHS programs, announcements of new programs, reports about grantee activities and other information. It provides insight into overall PHS activity and philosophy. Available by subscription for $10.30/year (stock no. HE 20.6011) from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Another magazine, **Commitment,** is a quarterly intended for health professionals and students who are practicing in underserved areas. It is available by subscription for $5.75/yr. (stock no. HE 20.6015) from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

DIRECTORIES OF GRANT RECIPIENTS

Lists of grant recipients are useful sources of information about what an agency is actually funding.

The Public Health Service publishes the biggest, **Research Awards Index,** an annual listing of 20,000 projects that are currently active. The two-volume behemoth indexes grants by subject, name of principal investigator and funding agency, noting amount, purpose and duration of grants and the names and addresses of recipients. It is available from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. ($22 for the 1978 edition, no. 017-041-00125-4.)

A less imposing list is found in the **Alcohol, Drug Abuse and Mental Health Research Grant Awards,** which includes all grants awarded during the preceding fiscal year in these three fields. Grants are listed by state, city, organization and principal investigator. It's available free from Program Analysis and Evaluation Section, Division of Extramural Research Programs, NIMH, ADAMHA, 5600 Fishers Lane, Rockville, Md. 20857.

The National Institutes of Health publish three listings of grants awarded: **NIH Research Grants** includes basic information about all research grants given during the preceding fiscal year by NIH institutes, plus the code name of the review committee. Grants are listed by state, city and institution. **NIH Training, Construction and Medical Library Grants** provides the same information for these types of grants. **NIH Research and Development Contracts** lists the basic information about contracts that were awarded during the previous fiscal year. All of these publications are free from Statistics and Analysis Branch, Division of Research Grants, NIH, Westwood Building, 5333 Westbard Ave., Bethesda, Md. 20016.

Looking outside of the PHS, a list of National Science Foundation grants and contracts awarded in the past year can be found in Volume 2 of the **NSF Annual Report.** Volume 1 explains the function of the NSF and makes projections for the upcoming fiscal year. Available from the Publications Office, NSF, 1800 G St. N.W., Washington, D.C. 20500; (202) 632-4128.

GENERAL GOVERNMENT PUBLICATIONS

Several government publications can be useful to someone involved in a health-related field though they don't focus exclusively on health. We've already mentioned the *Catalog of Federal Domestic Assistance*, the *Federal Register* and the *Commerce Business Daily* (see section beginning on page 13). Here are some other good publications to have:

The **U.S. Government Manual** is the program by which you can identify all the institutional players in the federal bureauracy. It summarizes the purpose of each agency and notes its address. Perusing the *Manual* is a good basic introduction to the federal government.

Order from the Superintendent of Documents, GPO, Washington, D.C. 20402 ($6.50 for the 77-78 edition; stock no. 022-003-00924-8).

The General Accounting Office, which is the congressional investigator of federal agencies, often publishes useful **GAO Reports** about health-related programs. These reports often provide useful discussions of how a program has been working. Its criticism sometimes signals coming changes in the program. Recent health-related GAO reports have covered CAT scanners, cancer centers, health systems agencies, Medicare and Medicaid reimbursement and area agencies for the aging.

The *Monthly List of GAO Reports* is free from the General Accounting Office, Distribution Section, Room 4522, 441 G St. N.W., Washington, D.C. 20548.

A Citizen's Guide on How to Use The Freedom of Information Act and the Privacy Act in Requesting Government Documents is a useful introduction to these two laws. The Freedom of Information Act of 1966 (amended in 1974) gives individuals access to many government records, including a copy of any grant awarded by the U.S. Public Health Service. The Privacy Act of 1974 allows individuals to review almost all federal files pertaining to themselves.

Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. ($2; stock no. 052-071-00540-4).

PRIVATELY PUBLISHED PERIODICALS

The value of information about federal grants programs is demonstrated by the number of organizations that make money disseminating that information.

There are many newsletters and magazines that focus on health-related funding. They differ widely in quality and cost.

Getting a good newsletter or two is essential for keeping aware of changes in funding programs. The way to find out which newsletter is best for your needs is to request some sample copies, which most newsletter publishers will provide free. Also, ask colleagues which newsletters they use.

Following are references to useful periodicals (and a few annual directories).

Behavioral Sciences Newsletter for Research Planning is interdisciplinary, listing recent research and grant opportunities. Free from: American Institute for Research in Behavioral Sciences, 10605 Concord St., Kensington, Md. 20795.

Drug Research Reports is a weekly newsletter which contains reports on legislation, grants, administrative personnel, new regulations and recent grant awards in the entire health field, not just drug research. Often, DRR will reprint an entire congressional act when it is significant. Called "The Blue Sheet," it is the most comprehensive overall health information newsletter. Order from Drug Research Reports, 1152 National Press Building, Washington, D.C. 20004 ($200/year).

Federal Contracts Report is a very complete summary of U.S. contracts policy developments, including some *Federal Register* excerpts, court decisions and legislation. The weekly report is $290/year from: Bureau of National Affairs, Inc., Washington, D.C. 20037.

Federal Funding News updates all mental health/drug abuse/alcoholism/development disabilities news, also covers regulations, contracts and program ideas. Published monthly, it is $25/year from National Association of State Mental Health Program Directors, 1001 Third St. S.W., Suite 115, Washington, D.C. 20025.

Federal Notes has good coverage of the health field and funds for education. The biweekly is $60/year from Federal Notes, P.O. Box 986, Saratoga, Ca. 95070.

Federal Research Reports is an excellent weekly newsletter on federal research programs. It is $48/year from Federal Research Group, 818 Roeder Rd., P.O. Box 1067, Silver Spring, Md. 20910.

Fund Sources in Health and Allied Fields announces deadlines (with abstract descriptions) of all federal and foundation grants in medical education and research, mental health, nursing, alcoholism and drug abuse, geriatrics nutrition and dentistry. The monthly is $95/year from Oryx Press, 3930 Camelback Rd., Phoenix, Az. 85018.

The Grants Letter provides selective announcements of federal grant programs. It's $48/year from Mattco Equities, Inc., 48 W. 21 St., New York, N.Y. 10010.

Group Health News is the monthly newsletter of a national association of prepaid group practice health plans (HMOs), with news of HMO issues. Subscriptions are $40/year from Group Health Association of America, Inc., 1717 Massachusetts Ave. N.W., Washington, D.C. 20036.

A Guide to Organizations, Agencies and Federal Programs In Mental Health is a good summary of the voluntary, federal and association organizations in mental health. It is $9, from Plus Publications, 2626 Pennsylvania Ave. N.W., Washington, D.C. 20037.

Health Daily is a daily newsletter that details actions by government that impact the health care field. Order from Administrative Resources Division, Capitol Publications Inc., 2430 Pennsylvania Ave. N.W., Washington, D.C. 20037 ($295/year).

Health Grants and Contracts Weekly is also published by Capitol Publications (address above), and is $115/year.

Health Manpower Report, also from Capitol, is a semi-weekly concerned with actions affecting health care delivery personnel. It covers legislation, regulations, legal developments, funding, associations, state and local groups, meetings and conferences ($82/year).

Health/PAC Bulletin, published by the Health Policy Advisory Center, focuses on major issues in the health field and federal policy. Especially effective on national health news analysis. Subscriptions to the bimonthly are $15 (institutional), $7 (regular) or $5 (student) from Health/PAC, 17 Murray St., New York, N.Y. 10007.

Health Planning & Manpower Reports, a biweekly, is $97/year from Plus Publications, Inc., 2626 Pennsylvania Ave. N.W., Washington, D.C. 20037.

Innovations: Highlights of Evolving Mental Health Services contains articles on techniques of providing mental health services, plus digests of journal articles/books. Free from Innovations, American Institutes for Research, P.O. Box 1113, Palo Alto, Ca. 94302.

An Introduction To Grants and Contracts in Major HEW Health Agencies is a good introductory discussion of HEW grant programs in health. Most effective on techniques and strategies. It is $3 (NHC members)

or $4 from National Health Council, Inc., 1740 Broadway, New York, N.Y. 10019.

Medical Research Funding Bulletin lists contracts and grants, with abstracts of programs, contact persons and deadline dates. Published thrice monthly by Science Support Center, P.O. Box 587, Bronxville, N.Y. 10708 ($25/year).

Medical World News is a biweekly appropriately dubbed the "newsmagazine of medicine" by its publisher. It gives well-written and researched updates on many areas of medical research and practice, federal regulatory activities, major federal health programs, legal developments and relevant congressional actions. The emphasis is always on the implications of an event, not just the event itself, often providing quotes from a variety of authoritative sources. Its articles do for the busy health practioner or researcher what the *Wall Street Journal* does for the businessperson. Order from Medical World News, McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, N.Y. 10020 ($25/year).

Mental Health Reports is a biweekly 10-page newsletter dealing with congressional and federal agency developments in the mental health area, including federal funding patterns, community mental health services in other social service programs, developments and trends at the state and local level, and mental health law. Order from Plus Publications, 2626 Pennsylvania Ave. N.W., Washington, D.C. 20037 ($97/year.)

1978 National Health Directory is a handy annual reference containing the name, title, address and telephone number of more than 7,500 key information source people in health programs and legislation, including: members of congress; their health legislative aides and appointment secretaries; staff of major health committees in Congress; decision-makers in 23 federal agencies; state and regional health officials; state health legislative committees; information officers for every HEW program. Order from John T. Grupenhoff, Ph.D., Science & Health Publications, Inc., Suite 511, 1129 - 20th St. N.W., Washington, D.C. 20036 ($22.50 prepaid or add $1.50 for postage/handling if not prepaid).

Science is a weekly marketplace of ideas, news, research and comment about all branches of science. Articles in a recent issue ranged from the social need for medical research to population growth to the new director of the Federal Office of Energy Research. Order from the American Association for the Advancement of Science, 1515 Massachusetts Ave., Washington, D.C. 20005 ($60/year).

Scientific American is a monthly magazine that contains review articles in many scientific areas. A well written and illustrated publication, it can keep you aware of important scientific developments. Order from Scientific American, Box 5919, 415 Madison Ave., New York, N.Y. 10017 ($18/year). A free list of available reprints (the Scientific American Offprint Catalog) can be obtained from W. H. Freeman & Co., 660 Market St., San Francisco, Ca. 94104.

Washington Drug and Device Letter is a weekly newsletter covering all areas of federal and local involvement in both drugs and medical devices, including Congress, the courts and the executive branch. It also covers developments in the drug industry. Order from Capitol Publications (address above, $165/year).

Washington Report on Health Legislation comprehensively monitors legislation affecting the health field. This weekly is the most detailed publication of congressional actions on health. Order from Washington Report on Health Legislation, 457 National Press Building, Washington, D.C. 20045 ($195/year).

Washington Report on Medicine and Health provides weekly updates on funding regulations, personnel changes and congressional activity on health and medicine. Emphasis is on federal personnel. Order from McGraw-Hill Publications, 457 National Press Building, Washington, D.C. 20045 ($95/year).

DATA BASES

ACCESS TO THE STATE OF THE ART

There are a number of sophisticated sources of information about developments in a particular scientific field, sources that need to be tapped when preparing a research proposal. Thorough knowledge of the field—both of what has been done and what is *currently* being done—can help you convince the funding agency of the need for your project and of your competence to do it.

The most important source of information for people in health-related fields is the immense National Library Medicine (NLM) in Bethesda, Md., and its system of 11 Regional Medical Libraries (RMLs—see box on page 24). Through NLM, researchers can gain access to a wide variety of information.

NLM has both computerized and published information bases. **Index Medicus,** the oldest listing of citations from scientific journals, is the most complete published information base. First appearing in 1879, it includes citations from 2,500 English and foreign language journals in the basic and clinical biomedical sciences, many of which are no longer published. *Index* comes out monthly, each issue including about 20,000 new references within its 1,200 pages. It costs $170 per year from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

If you don't want to wait the four to six weeks that it takes *Index Medicus* to get a new reference cited in print, you can gain faster access on **MEDLINE,** a computerized data base. It includes citations to articles published during the most recent two years plus the current year. Since it stores three years of information on computer, it would be easier to use for those years than *Index Medicus,* which would require plowing through 36 printed issues. Approximately 20,000 citations of articles from 3,000 journals are added to MEDLINE each month.

If you need citations to articles published prior to the past two years, **MEDLARS** (Medical Literature Analysis and

Retrieval System) includes citations from as early as 1966.

You can gain access to MEDLINE and MEDLARS at the 11 Regional Medical Libraries and at over 700 MEDLINE centers, located at most medical school libraries and at certain hospitals, clinics, government health agencies and corporations. A specially trained librarian will assist you in the search and will manipulate the computer terminal. To help focus the search, you should go through a recent issue of *Index Medicus* to identify one or two articles that are good examples of what you are looking for. The title of the article and the bibliography will give the librarian some key words to use when addressing the computer. The computer will produce a list of citations to relevant articles and, if you wish, abstracts of the articles if available (about half are). If the local library or access center doesn't have a publication, they'll request it from the RML or from NLM.

Several other more specialized data bases at NLM can be accessed in a similar way. **TOXLINE** (Toxicology Information System) has citations to articles related to the adverse effects of drugs; hazardous household, agricultural and industrial products; effects of environmental pollutants; and effects of chemical substances on biological systems.

CANCERLINE includes several cancer-related data bases. **CANCERLIT** compiles citations to cancer-related articles, books, reports and theses from a variety of sources. **CANCERPROJ** has descriptions of ongoing cancer research projects. **CLINPROT** includes summaries of clinical cancer therapy protocols (plans of treatment).

SDILINE (Selective Dissemination of Information on-Line) can provide a monthly listing of relevant new citations in your specific area of interest about four to six weeks before the same citations appear in *Index Medicus*.

CATLINE (Cataloging-on-Line) contains NLM's entire card catalog, giving you access to citations of relevant books, monographs, project reports and other printed materials.

AVLINE (Audiovisuals on-Line) lists all the films, videotape cassettes, audiocassettes, slides and other audiovisual materials available from the National Medical Audiovisual Center.

NLM publishes a free brochure which provides detailed information on these and other information services. *MEDLARS: Literature Retrieval Services of the National Library of Medicine* can be obtained from National Library of Medicine, Public Information Office, 8600 Rockville Pike, Bethesda, Md. 20014; (301) 496-6308.

There is no such thing as a free search, but considering the time a computerized search can save, the price is remarkably low. Fees vary from terminal to terminal and usually are based on the amount of time required. To cite but one example, in 1977 an average TOXLINE search took 20 minutes and cost l tween $8 and $15.

Regional medical libraries

To provide more rapid dissemination of biomedical information, the National Library of Medicine has developed a network arrangement through which interlibrary loan activities and computerized bibliographic retrieval capabilities (MEDLINE and the other on-line services) can be shared more efficiently by medical libraries around the nation. Eleven major institutions have been designated Regional Medical Libraries to provide service to other libraries in their regions.

Region I
New England Regional Medical Library Service (NERMLS) (Ct., Ma., Me., N.H., R.I., Vt.)
Francis A. Countway Library of Medicine
10 Shattuck St., Boston, Ma. 02115
Librarian: Mr. C. R. LeSueur;
Director, NERMLS: Ms. Arlee May
Tel: 617-732-2128; TWX: 710-338-6702

Region II
New York and New Jersey Regional Medical Library (N.Y., N.J.)
New York Academy of Medicine Library
2 East 103 St., New York, N.Y. 10029
Librarian: Mr. Alfred N. Brandon; Assistant Librarian for RML Services:
Mr. Vernon Bruette
Tel: 212-876-8763; TWX: 710-581-6131

Region III
Mid-Eastern Regional Medical Library Service (MERMLS) (De., Pa.)
Library of the College of Physicians
19 South 22 St., Philadelphia, Pa. 19103
Librarian: Mr. Elliott H. Morse;
Director, MERMLS: Mrs. June Fulton
Tel: 215-5616050 (X63); TWX: 710-824-9615
Tel: 215-561-6050 (X63); TWX: 710-670-1646

Region IV
Mid-Atlantic Regional Medical Library (D.C., Md., N.C., Va., W.V.)
National Library of Medicine
8600 Rockville Pike, Bethesda, Md. 20014
Librarian: Martin M. Cummings, M.D.
RML Director: Ms. Carol Spencer;
RML Coordinator: Miss Jackie Rustigian
Tel: 301-496-5955; TWX: 710-824-9615

Region V
Kentucky-Ohio-Michigan Regional Medical Library Program (KOMRML)
Wayne State University Medical Library
4325 Brush St., Detroit, Mi. 48201
RML Director: Mr. James F. Williams II;
RML Associate Director: Mrs. Faith Van Toll
Tel: 313-577-1101; 313-577-1168;
TWX: 810-221-5163

Region VI
Southeastern Regional Medical Library
Southeastern Regional Medical Library Program (SERMLP) (Al., Fl., Ga., Ms., S.C., Tn., P.R.)
A. W. Calhoun Medical Library
Emory University, Atlanta, Ga. 30322
Librarian: Mrs. Miriam H. Libbey; Assistant Director, SERMLP: Mr. Michael J. Torrente
Tel: 404-329-5820; 404-329-5818;
TWX: 810-751-8512

Region VII
Midwest Health Science Library Network (Ia., Il, In., Mn., N.D., Wi.)
John Crerar Library,
33 West 33 St., Chicago, Il. 60616
Executive Director: Mr. William S. Budington;
Coordinator for Regional Development:
Mr. Chester J. Pletzke
Tel: 312-225-2526 (X78, 79, or 47);
TWX: 910-221-5131

Region VIII
Midcontinental Regional Medical Library Program (Co., Ks., Mo., Nb., S.D., Ut., Wy.)
Library of Medicine,
Univeristy of Nebraska Medical Center
42nd St. and Dewey Ave., Omaha, Nb. 68105
Director, RML: Mr. Robert Braude; Associate Director, RML: Mrs. Elizabeth A. Petgen
Tel: 402-541-4646; 402-541-4006; TWX: 920-
TWX: 910-622-8353

Region IX
South Central Regional Medical Library Program (TALON) (Ar., La., N.M., Ok., Tx.)
University of Texas Health Science Center
5323 Harry Hines Blvd., Dallas, Tx. 75235
Director: S. Joe McCord, Ph.D.
Assistant RML Director: Mr. John A. (Pat) Murphey, Jr.
Tel: 214-688-2085; 214-688-2626;
TWX: 910-861-4946

Region X
Pacific Northwest Regional Health Science Library (PNRHSL) (Ak., Id., Mt., Or., Wa.)
University of Washington Health Sciences Library, Seattle, Wa. 98195
Director: Mr. Gerald J. Oppenheimer;
Assistant Director for Regional Development: Mr. James E. Ekendahl
Tel: 206-543-8262; TWX: 910-444-1385

Region XI
Pacific Southwest Regional Medical Library Service (PSRMLS) (Az., Ca., Hi., Nv.0
Biomedical Library, Center for the Health Sciences
University of California at Los Angeles, Los Angeles, Ca. 90024
Librarian: Miss Louise Darling; Associate Director, RML Service: Mrs. Phyllis S. Mirsky
Tel: 213-825-1200; TWX: 910-342-6897

OTHER DATA BASES

Other specialized data bases are available, many through the Regional Medical Libraries.

The Smithsonian maintains and constantly updates a computerized data base of information—**Smithsonian Science Information Exchange (SSIE)**—on more than 220,000 ongoing and recently completed projects in basic and applied scientific research. Project information is gathered from over 1,300 different funding organizations, including federal, state and local agencies; nonprofit organizations; universities; foundations; and foreign research groups.

Each entry (called an "NRP" or Notice of Research Project) contains a one-page description of a single research project, together with funding level and funding period (in most cases), title and project number, funding agency and names and addresses of investigators. The system is an excellent way of finding out who is doing what and, perhaps even more importantly, who is funding it.

Several services are available from SSIE. You can have a custom search made on a specific research or administrative topic and, if you wish, rece monthly or quarterly updates. (On-l searches are also available through the Systems Development Corporation and

Lockheed systems.) SSIE also compiles and updates "research information packages," which contain all current NRPs a single topic. The SSIE *Science wsletter* (published 10 times a year) ...orts on the newest packages plus changes in these packages. It is $10/year (U.S.), $15/year (foreign). For more information, write Smithsonian Science Information Exchange, Inc., Room 300, 1730 M St. N.W., Washington, D.C. 20036 (202) 381-4211.

National Technical Information Service (NTIS) is the central source of research reports and other analyses prepared by federal agencies, and it has copies of most final reports of projects completed by grantees and contractors for federal agencies. It maintains more than a half million reports on file. All are for sale on a per page basis.

To help people learn what is in this mammoth collection, NTIS publishes 26 weekly newsletters that abstract new reports in areas of interest. These bulletins include *Behavior and Society* ($55 annually), *Biomedical Technology and Human Factors Engineering* ($50), *Medicine and Biology* ($55), *Urban and Regional Technology and Development* ($50) and *Health Planning* ($55). A complete list is available from NTIS.

To learn about previously published reports, NTIS will do a computer search your specific area of interest.

or local governments, NTIS has several information systems focused on topics such as "Cash Flow and Treasury Management," "Labor Negotiation," and "Payroll, Personnel and Accounting."

In relation to health, NTIS has a computer program called "Health Care Delivery Concepts," which gives guidelines for a local public health system.

A search done specifically for you will cost about $100 for up to 100 abstracts of federal research reports. However, a search related to your interests may already have been done. If so, you can purchase it for $28. (You can get a catalog of these searches free from NTIS: order # NTIS-PR-186.)

For more information on NTIS services, contact National Technical Information Service, 5285 Port Royal Rd., Springfield, Va. 22161 (202) 557-4600.

Educational Resources Information Center (ERIC) was established by the Office of Education to provide a system for disseminating materials concerning education. It includes unpublished project reports and research findings in addition to material from 700 educational journals. It also contains references to things like instructional media and technology as as counseling and personnel services. The materials date back to 1966. ERIC can be accessed through Regional Medical Libraries as well as many other places. An average search costs $15 to $25.

Information about all American and foreign doctoral dissertations since 1861 are included in **Dissertation Abstracts International Search Service** which can also be accessed through RMLs. The dissertations can be obtained from the company that maintains this data base (University Microfilms International).

OTHER DATA BASES

- **AGRICOLA (CAIN)**
- **ASI (American Statistics Index)**
- **Biological Abstracts**
- **Chemical Abstracts**
- **CIS (Congressional Information Service)**
- **Dissertation Abstracts International**
- **ENVIROLINE**
- **Epilepsy Abstracts**
- **Foundation Directory**
- **Foundation Grants Index**
- **LIBCON (Library of Congress)**
- **LISA (Library and Information Science Abstracts**
- **Oceanic Abstracts**
- **Pharmaceutical News Index**
- **Pollution Abstracts**
- **Psychological Abstracts**
- **Sociological Abstracts**

The independent **Science Citation Index Search (SCISEARCH)** utilizes a unique and useful technique known as "citation searching."

To find relevant material (on science and technology literature), the system uses key words and phrases, authors and journal names just as the other computer-accessed systems do. But in addition it can provide a list of articles that have cited a certain book or article. Thus, if you know about one or a few key works, you can find out about a number of other works that have some relation to it.

SCISEARCH indexes more than 2,600 journals and monographs, with material dating back to 1974. It includes books, articles, reports of meetings, editorials and letters to journals. An average search costs $30 to $60.

For further information write: SCISEARCH, Institute for Scientific Information, 325 Chestnut St., Philadelphia, Pa. 19106.

The equivalent of SCISEARCH for the social sciences is **Social Science Citation Index Search (SOCIAL SCISEARCH)**. More than 1,300 social sciences journals are index, as well as relevant articles from 1,200 other journals. Articles date back to 1972.

GETTING INFORMATION ABOUT RESEARCH IN PROGRESS

The Smithsonian Science Information Exchange is one source of information about what federal agencies are currently funding. There are two other sources.

An NIH system, **CRISP (Computer Retrieval of Information on Scientific Projects)**, provides information about the scientific and financial aspects of research grants and contracts supported by agencies of the Public Health Service (as well as research being conducted internally at NIH or the National Institute of Mental Health). Projects are categorized by discipline or research area, disease, research subject, materials and methods. Records date back to 1971.

For further information, contact: Research Documentation Section, Statistics and Analysis Branch, Division of Research Grants, National Institute of Health, 9000 Rockville Pike, Bethesda, Md. 20014 (301) 656-4000.

Other data bases which can be found at RMLs are noted in the box at left.

REGIONAL MEDICAL LIBRARIES

Besides being places to access the various health-related information sources, Regional Medical Libraries offer several other useful services.

The libraries loan books to outlying medical libraries and hospitals and make free photocopies of journal articles, though there are several restrictions on this service.

SPECIALIZED CLEARINGHOUSES

Three areas—alcoholism, drug abuse and health planning—operate information clearinghouses intended for researchers as well as the general public.

The **National Clearinghouse for Alcohol Information** offers direc-

tories of treatment centers, bibliographies for 60 alcohol-related subject areas, computer and manual searches to find specific references in the alcohol literature, referral to other information sources, media materials (posters, public service announcements), a current awareness service alerting people to new publications in certain areas and two periodicals—the **NIAAA Information and Feature Service** and **Alcohol Health and Research World.**

For further information, write: NIAAA National Clearinghouse for Alcohol Information, Box 2345, Rockville, Md. 20852.

The **National Clearinghouse for Drug Abuse Information** provides information similar to that of the alcoholism clearinghouse. For information, write: National Clearinghouse for Drug Abuse Information, National Institute on Drug Abuse, Rockwell Building, Room 110, 11400 Rockville Pike, Rockville, Md. 20852.

The **National Health Planning Information Center** maintains a variety of information for people concerned with health planning. Topics include such things as planning methods, techniques for administering a health planning agency, community analysis techniques, review standards, methods for assessing and forecasting health needs, studies of the impact of new health technology and studies of health personpower needs.

The Center will prepare a special computer search of its health planning information base, refer you to other information sources, prepare a topical bibliography or develop a state-of-the-art monograph. It also publishes **National Health Planning Information Center Newsletter.** Contact: National Health Planning Information Center, P.O. Box 31, Rockville, Md. 20850 ◙

Federal Grant Strings Tie Health Researchers' Hands

A researcher at Rockefeller University in New York, one of the most prestigious medical research institutions in the country, says he is occasionally awakened by a nightmare in which he is chased by the peer reviewers who evaluate the work he does under federal grants.

And it's not just a bad dream. A recent disparaging report from a peer review team about the researcher's biggest project was followed by a decision at the National Heart, Lung and Blood Institute not to re-fund it.

"I was absolutely astonished," the researcher, Dr. Edward H. Ahrens, Jr., told the *Wall St. Journal.* Not only did Ahrens fail in his bid for $8.5 million to continue his study of 1,400 patients with high cholesterol another five years, but Rockefeller had to lay off 35 employees associated with the study.

The episode illustrates the fact that reliance on federal grant money in the health field has its perils as well as its possibilities. Scientists not only face the insecurity of worrying about ongoing federal support of projects, but they also lose some of their freedom to choose which projects to tackle.

After decades of being financially flush with Rockefeller money, the university's researchers have just begun to face such problematic situations in the 1970's. Inflation has soared but the university's income hasn't. Clouding the financial picture, moreover, were declines in the value of the institution's portfolio and an end to the post-Sputnik boom in federal research spending. In June of 1974, the university portfolio was valued at $152.7 million, a substantial decline from the $213.3 million figure a decade earlier (this past January it was up to $167 million). Meanwhile, federal spending for basic research is no higher than it was a decade ago (based on constant 1972 dollars).

So now the once self-sufficient research center must compete for—and depend on—limited federal dollars. Of Rockefeller's $37.9 million budget for fiscal 1977, $20.2 million came from outside sources, mainly the federal government. Though Rockefeller has generally coped well with the situation, it is still saddled with the usual problems associated with federal grants.

The main problem is that politically-motivated decisions—such as the one to wage a "war" on cancer—can cause rapid shifts in funding priorities. Budgetary cuts at the National Institute of Mental Health, for example, have substantially limited new monies for neurochemistry projects. Jay Weiss, a Rockefeller researcher who found his $42,000 application for funds cut to $20,000, feels "distraught about the vicissitudes in funding that sometimes occur on the basis of legislative whim."

Another problem is that researchers sometimes lose the freedom to change directions in their work when the situation so dictates, since grants are tied to specific proposals. James Darnell, a cell biologist who has federal grants to study both viruses and cells—was threatened with a funding cutoff because he was concentrating on the cell research. "Experienced researchers need more flexibility in the handling of funds than they've got," Darnell says.

A final problem is that the outside scrutiny that accompanies outside money doesn't always enhance research. Anthony Cerami, a biochemist studying sickle-cell anemia on a federal grant, so resented the number of monitors demanding to oversee his research that he dropped the project. He decided that the money had "too many strings attached."

—Michele Kort

Steven Beasley is a private consultant in the grants field, and is director, department of grants and contracts, Catholic Welfare Bureau, Los Angeles. He has worked on numerous federally-funded health projects and was a science information specialist for four years at NIH. In 1974-75 he worked on an analysis of the National Cancer Institute's grants process.

Timothy Saasta is the editor of the Grantsmanship Center NEWS.

Laura Golden, editorial assistant of the NEWS, provided additional research.

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REPRINT SERIES ON MANAGEMENT.

Your Annual Report: How to Plan, Produce, Package and Promote It

By Frances A. Koestler
adapted by Anne L. New

Years ago, community agencies had some degree of choice as to whether or not they would make a yearly public accounting of their operations. Today, this option has all but vanished. For organizations large and small, annual reports are "musts."

Although we refer here to "annual" reports for reading convenience, the suggestions in this article are equally applicable to agencies whose resources dictate less frequent reports—perhaps even every several years. In some instances, the reports are a legal obligation, written into the agency's charter, operating license or legislative mandate. In other instances, they are a condition of the agency's participation in a local, regional or national fund-raising campaign. In still others—indeed, almost universally—they are a response to the demands of an increasingly sophisticated public for precise knowledge of just how contributed or tax funds are spent, and what the expenditures accomplish.

An annual report may be an obligation, but it is also an opportunity. When thoughtfully conceived, written and produced to present a vivid portrait of your agency in action, it can simultaneously record the past, interpret the present, and provide an intriguing glimpse into the future.

It can reinforce the loyalty of your existing constituency and attract new adherents and supporters.

Frances A. Koestler has served as public relations director for many nonprofit organizations and wrote *Planning and Setting Objectives* for the Public Relations Society of America. She is currently editor of the *Matilda Ziegler Magazine for the Blind.* Anne L. New has been coordinator of public information services for the Girl Scouts of the U.S.A. and director of fund raising and public relations for a variety of nonprofit organizations. She is co-author of *Using Standards to Strengthen Public Relations.*

It can clarify and shape public attitudes on significant social problems and issues.

It can identify changing trends, analyze and portray their impact on individuals, on groups or on the community as a whole.

In doing any or all of these things, it can reinforce your agency's image as an alert and constructive force for human betterment and can be a valuable, credibility-enhancing adjunct to a proposal.

Before pinning down what an annual report is, it may be useful to specify what it isn't. An annual report is not a catch-all. It cannot simultaneously serve as the agency's comprehensive history, its organizational blueprint, its operating manual, its statistical stockpile and its justification for existence.

The basic function of an annual report is to render an account of a single year's activities and expenditures. As you begin to think about your annual report, therefore, the first question to consider is: What *really* happened in your organization during the year? Was it a year of calm progress toward predetermined goals? A year of fast-evolving change? A year that produced a major crisis? A year when unforeseen circumstances threw you a curve? A year when your agency achieved an important landmark? Once you have identified the dominant characteristics of the year, you can shape a document that accurately reflects the past.

That same document can serve to advance your progress toward future goals. The trick lies in choosing a theme that makes use of the past to light up the path of the future. After all, your organization does not shut down on December 31 and start out on an altogether different tack on January 1. Organizational work is continuous, cumulative; whatever new directions are explored are the gradual outgrowth of experience and planning.

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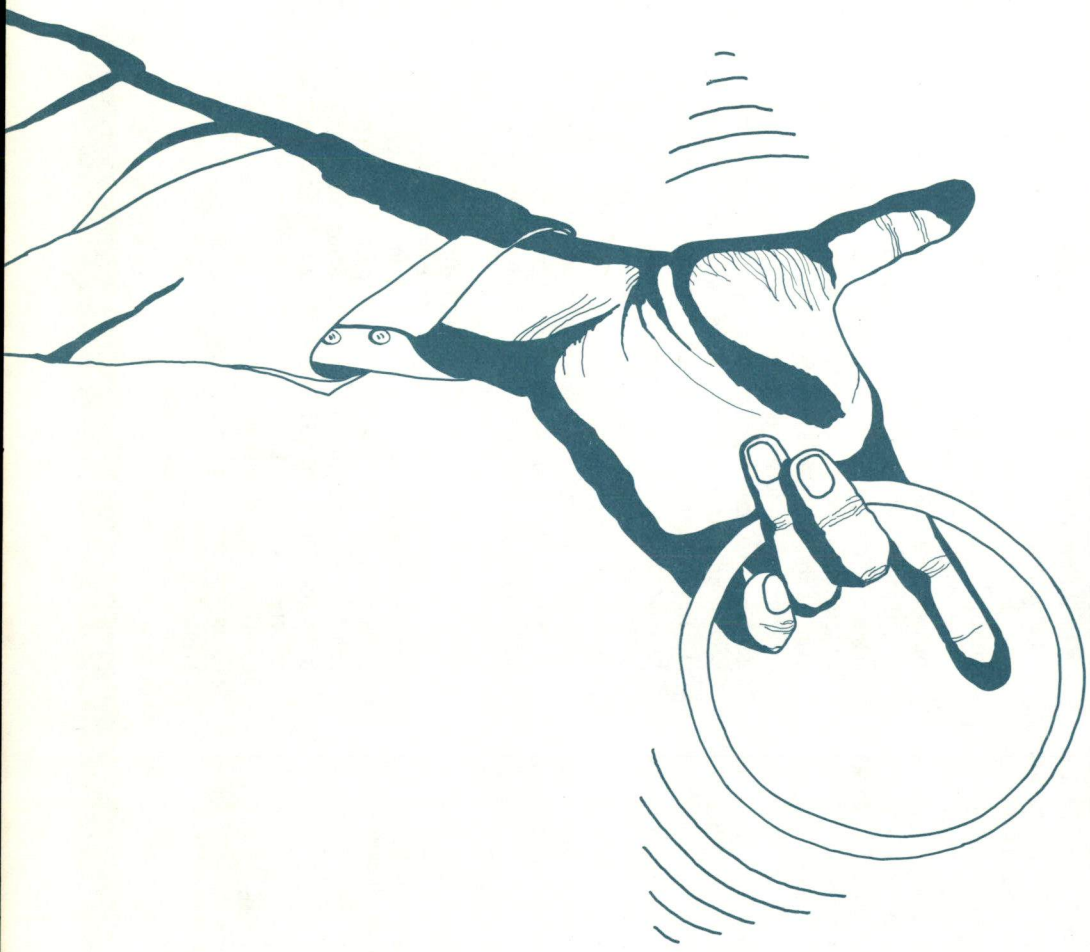
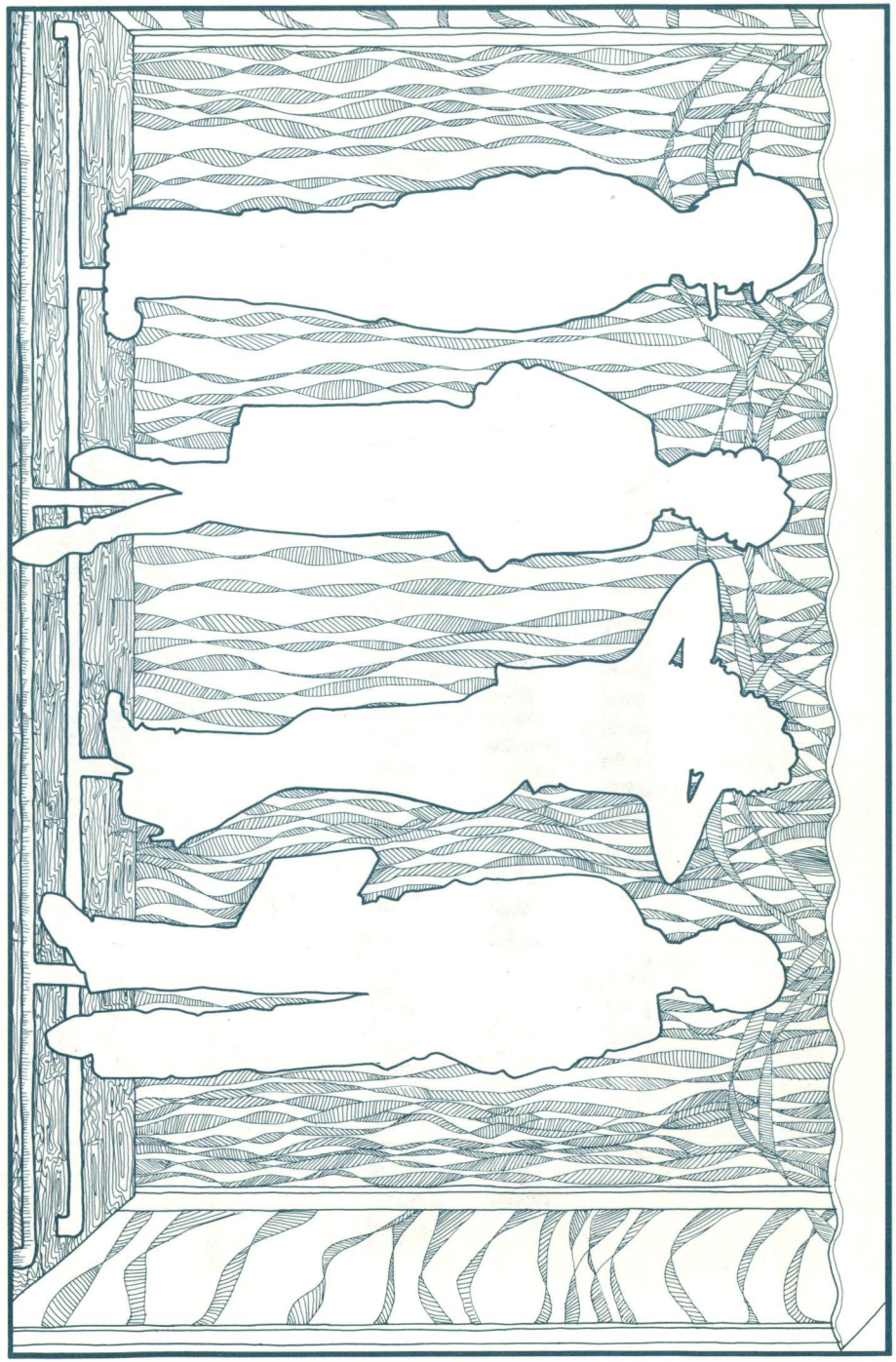




Pinpoint Your Targets

With your purpose firmly in view, the next question is: Who are the people whose interest and support need to be enlisted for achievement of that purpose? At whom will your report be aimed? To whom will it be sent?

The annual reports that make a solid impact are those that zero in on specific, pre-selected targets. A knowledge of precisely whom you are addressing will influence the content, style and format of your report. That in itself is reason to develop your distribution list before tackling the writing phase.

There are also other practical arguments in favor of this procedure. The size of your list will determine the quantity of reports you will need. Relating that quantity to your budget will tell you whether you can afford a 24-page illustrated booklet printed in two colors or whether you must restrict yourself to a third as many pages in a more modest format. A predetermined list will keep you from printing so many copies that half of them will gather dust on your stockroom shelves. It will save you, as well, from the equally expensive error of ordering too few copies and having to put the report back on the press for an additional run.

Building a distribution list starts with your core audiences: the individuals and groups with an unmistakable interest in your program. If yours is a typical organization, your core audiences will include:

—The members of your governing body as well as selected former members.

—The membership of your program committees, advisory or auxiliary groups.

—Your total staff, and perhaps some former employees as well.

—Officials of any legislative or administrative public authority which may be the source of all or part of your operating funds.

—The executives, board members, budget or allocation committee members of any united fund-raising effort of which you may be a beneficiary.

—Civic, professional, labor or other groups which assist in your work or give you financial backing.

—Contributors from whom you receive major support: individuals, organizations, business firms, foundations, etc.

—Potential contributors, including foundations, corporations and government agencies, as well as individuals.

—Executives and key staff members (perhaps also board members) of any agencies with which you maintain cooperative working relationships.

—Persons or organizations who serve as your sources of referral, or to whom you have occasion to refer clients for services: doctors, hospital clinics, school officials, judges, clergymen, lawyers, guidance counselors, vocational training or employment services, etc.

In adding up the quantities of reports needed for these core groups, include a sufficient number for your organization's reception areas, allowing for replenishing of this supply as visitors help themselves to copies (as they should be encouraged to do) or as those copies on display grow dog-eared from handling. Also check with your agency's personnel people to see whether they need a supply for staff recruitment purposes or for orientation of new employees.

The greatest single pitfall in distribution of annual reports is the routine use of the same list, year after year, without pruning deadwood or adding fresh names.

Depending on the thrust and purpose of your report, as well as on your financial resources, you may want to consider some additional categories:

—Local, state and federal legislators representing your district or serving on committees whose scope is related to your agency's program: health, housing, social welfare, child care or whatever.

—Opinion shapers and community leaders who should know more about your work, including newspaper editors and radio and TV executives who handle public service programming.

—Graduate schools and professional associations in public health, medicine, nursing, law, social work, rehabilitation, urban renewal or whatever fields your area of activity may embrace.

—Public, school and university libraries.

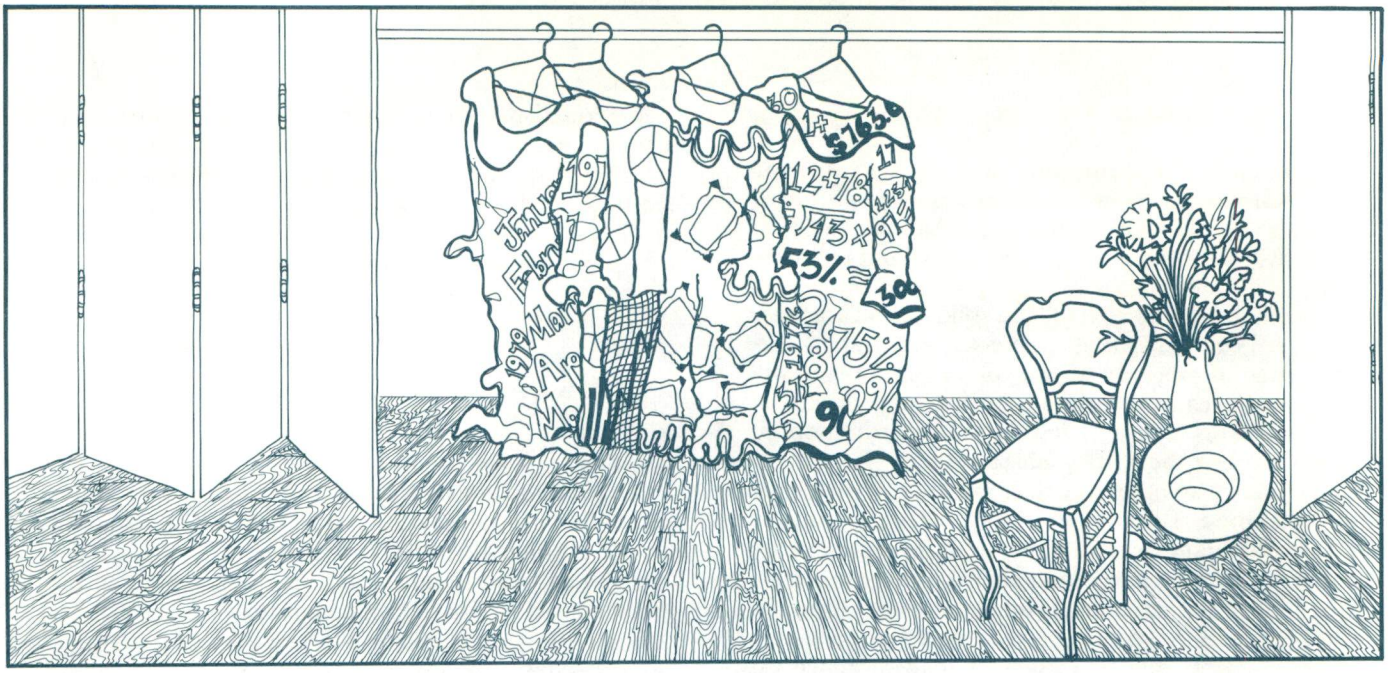
—Present or former clients or potential client groups.

—Your local Chamber of Commerce or Better Business Bureau.

—Vocational guidance counselors and, perhaps, selected classes of high school or college students.

Obviously, no single type of list fits all organizations and all reports. The decision on how far to extend the circle of readers is one that must be made individually. Keep in mind, however, that such a decision should be made fresh each year. The greatest single pitfall in distribution of annual reports is the routine use of the same list, year after year, without pruning deadwood or adding fresh names.

However you approach the question of list-building, in ordering your press run, leave a liberal margin for afterthoughts. Ideally, list-building should be a year-round process; in practice, it is often a last-minute scramble when the report is already on the press. Ask for suggestions from members of your organization's staff, board and volunteers. The person in charge of preparing the annual report probably won't know about the high school dean who cooperated so generously with a staff member in coping with a troubled youngster's problems—or about the dairy firm that gives the agency's purchasing department such generous discounts on milk for the day nursery program—or about the lawyer who accepts only a token fee in representing agency clients in court actions. It is the individual worker who knows of such people; but unless that worker is exceptionally public relations minded, he or she is not apt to think of sending them the agency's annual report unless reminded to do so by a specific memorandum asking for the names of such "special friends" of the agency.



Your Pick of Patterns

Having thought through the question of theme, and having gained a clear image of the people whose interest and support can help achieve the goals embodied in that theme, your next task is to pick the pattern that can best do the job for you.

At first glance, the range of pattern possibilities may seem bewilderingly wide. Some annual reports are decentralized into separate sections for each department. Some take a chronological approach, using the calendar as framework. Some cover the ground by means of a single case story or a group of representative incidents. Some are written from the single, personalized viewpoint of a client, a staff member, a volunteer, or a visitor. Some consist mostly of figures and statistics. Some are pure narrative. Some keep both numbers and narrative to a minimum in favor of a picture-story technique. Some are centered on types of problems or major areas of need.

The interesting thing is that every single one of these patterns can be made to work—and every single one can just as easily fall on its face. What determines the difference between success and failure? For the most part, it's a question of how well the selected pattern is adapted to the report's central idea.

Whatever pattern you choose, somewhere between the covers of your annual report the reader should find clear answers to the following questions:

1. What is the name and complete address of the organization?
2. Is it a tax-supported public agency authorized in legislation or by executive decree? A voluntary agency legally chartered, incorporated or licensed as a nonprofit organization? A local branch of a national or state public or voluntary organization?
3. By whom is the agency governed? Are policies set by a voluntary board of directors, by a higher public authority, by an officially appointed advisory body?
4. What are the organization's fundamental aims and purposes? What segment of the population is the organization designed to serve: families, children, old people, adolescents, a specific racial or religious or economic group, people with a particular kind of social or health problem, people who live in a particular neighborhood? What geographic area does the agency's program embrace?
5. What period of time is covered by the report?
6. What specific services were rendered during this period? How many people participated in or benefited from them? What results did the services produce?
7. How long has the organization been in operation? Is it the only one of its kind in the community? If not, what segment of the total job does it accept responsibility for?
8. Does the organization work in partnership with other community groups? What forms of cooperative effort exist?
9. What significant national, regional or local developments had a substantial impact on the agency's work during the year? How will these developments affect future programs or services? What important changes are contemplated to cope with newly emerging needs?
10. How much money did the organization spend during the period covered in the report? Where did it come from? What were the major categories of expenditure and how much was spent in each? How did the year's income compare with expenditures? If there was a deficit, how was it met? What assets does the agency own and what is their worth? By whom were all these financial figures audited and certified?
11. How well did the organization measure up to its own goals and expectations during the year? If its resources of money or staff or facilities fell short of the needs, what plans have been made to correct such shortages in future?
12. In what ways can the reader act to advance the organization's work?

Depending on how your annual report is structured, the elements embodied in these questions may be

covered briefly or in depth. They may *not* be omitted; they are "musts."

For voluntary agencies, two other features that are usually considered "musts" are the form for making a gift and the bequest form which cites the legal terminology required for the organization to become the beneficiary of a legacy. The inclusion of these forms in each year's report serves as a constant reminder that the agency needs and welcomes gifts and bequests.

The language of a bequest form can be as simple as the following statement, taken from the annual report of a New York agency: "I give and bequeath to the [name of the organization], or its successor or successors, the sum of _____ dollars for uses and purposes of said corporation." However, since inheritance laws vary from state to state, it would be prudent to check the wording of the bequest form with legal counsel. A form for making a gift included in the annual report of a national agency reads: "I hereby give to the [name of organization] a not-for-profit corporation located in [name of city and state] the sum of ____ dollars ($____) to be used for the general purposes of [the organization] at the direction of its Board of Directors."

Organizations that conduct endowment fund campaigns may also indicate the different types of deferred giving, such as insurance policies and various forms of trust funds, that are available to contributors under tax and inheritance laws.

Commonly Used Patterns

The impact of your report will largely depend on the overall pattern you choose. Here are some possibilities—with their advantages and disadvantages.

Department-by-Department. Since most organizations are divided into administrative segments, can these departments serve as the framework for an annual report?

Sometimes. The decentralized pattern will often work out well if the agency is a "conglomerate"—i.e., if it has a many-pronged program whose parts are loosely interrelated. In the nonprofit field, there are a number of such structures, created through merger, in family and children's services, in health and rehabilitation work and in various types of public welfare operation.

Even for multi-service organizations, and certainly for the single-purpose agency, the department-by-department approach has inherent drawbacks. For one thing, it tends to obscure the whole by focusing on the separate parts. For another, it sometimes gives rise to internal pressures and rivalries. In a multi-service children's agency, for example, the foster home program, which is responsible for a larger number of children than the institutional division, may take the position that it deserves a larger proportion of the report's space. But, from the reader's viewpoint, which *must* be the predominant consideration, there may not have been important changes in foster home care that year, while the institutional program may have begun a significant new approach to treatment of disturbed children. (The annual report writer has problems enough without having to mediate competitive pressures of this kind!)

Decentralized reporting also raises questions of continuity. In this same agency, for example, a child may very well spend some time in a foster home, then be transferred to institutional care. Or vice versa. Where does his story belong? And how can the reader be made to understand that the separate departments coordinate their work on behalf of the individual child?

The most serious difficulty in the department-by-department pattern is that it does not satisfy the interests of average readers, who want to know the end product of the agency's work and don't care to thread their way through the details of its structure. Operational details may be essential in an agency manual or in a professional paper geared to specialized audiences. In annual reports, they tend to create obstacles to communication.

If the agency's structure nonetheless dictates the use of this format, the reader can be helped to integrate the separate components by means of the kind of synopsis suggested on page 54.

Using Time as Framework. On the surface, the chronological approach seems to have logic in its favor. For most agencies, however, a January-to-December account proves unduly constrictive.

If the year's high spot took place in April, readers of the chronologically-arranged report must first plow through three duller months to get there—and they may lose interest before reaching halfway through February.

And what is to be done when August was the same as July, only more so? In an effort to differentiate two similar months, the writer may be driven to create artificial contrasts by blowing up trivia. Worse still, he or she may be tempted to employ the rhetorical (and unsatisfactory) device of using different words to phrase the same ideas.

By and large, the "log" approach only works well when time is an intrinsic element of the annual report's theme. This might apply to an agency's first year of existence; the reader can be made to share the cumulative excitement as the agency starts up one operation after another. It might, perhaps, apply to the construction of a new facility, especially if there is suspense as to whether the scheduled opening date will be met.

Time can also serve as a framework in an anniversary report, in which successive milestones and eras of growth are identified as stepping-stones toward current and future programs.

While the chronological format has limitations, the element of time can be employed with dramatic effectiveness in different ways. One is a "stop-the-clock" pattern, in which the theme of the report is to show how many different activities take place simultaneously in the agency. Such a report might select a moment in time, say 11:27 A.M. on October 15, and show, room by room and floor by floor, what was going on in the agency right then. Handled with flair and skill, this makes for absorbing reading.

A variation of this idea, well-adapted to hospitals or other organizations that deal in human crises, takes a 24-hour span and conveys the hour-by-hour tension created by successive emergencies.

The Quick-Glimpse Technique. The report based on a single case story or a series of dramatic incidents has the advantage of capturing and sustaining reader interest. Well-chosen case histories or excitingly told incidents have much the same appeal as fiction.

The danger in this approach is that the entertainment value may outweigh the interpretation value, leaving the reader with a skewed, ill-balanced picture of the agency as a whole. This pitfall is particularly perilous when the incidents are of a humorous or whimsical nature. When they are through laughing, readers may wonder how seriously they should take this agency.

Once again, it boils down to a question of theme. If the case story spans the breadth of the agency's services—if the selected incidents have a common thread related to the agency's basic purposes—if they show the diversity of human problems the agency confronts and solves—then the quick-glimpse technique may be the best pattern. Its use, however, requires a high degree of craftsmanship.

The Single-Viewpoint Account. The year's work as seen through one person's eyes can be a compelling document for an organization offering direct services. It tends to make dull reading, though, when the agency's function involves such abstract factors as community planning or program coordination.

There may have been the stuff of drama in a community council's struggle to arrange a merger between two parallel local agencies, or in its effort to induce a substandard service to professionalize its staff. It is seldom either politic or possible, however, for the council's president to write the behind-the-scenes story of how much pushing and pulling was needed to achieve such results.

On the other hand, a cogent report might be written about the agency from the viewpoint of a visitor with an inquiring mind. Such an approach could bring out, not what the visitor sees (which is people behind desks), but what he learns from talking with these desk-bound people. The folder on one desk may contain a detailed plan for a needed health center in a slum neighborhood; the papers on another may reveal a pioneering approach to work with drug addicts; the phone call that interrupts the visitor's talk with a third staffer may relate to a strategic social measure before the state legislature.

For direct-service agencies, the most effective single-viewpoint reports are written through the eyes of a social worker. A diary format, tracing the course of a social worker's progress on a handful of cases in the past year, can convey how complex and frustrating are the problems of the agency's clients and how resourceful and skilled are the agency's staff members.

A report of this kind might be keyed to one of several themes. One possible theme could be that instant answers are for television dramas; in real life, solutions come slowly and so does progress. Another could be that professional workers are expensive but worth it. Still another could center on the idea that, with skilled help, even seemingly hopeless people can be motivated to improve their lives.

A frequently used personal viewpoint is that of the child client. Well-executed reports keyed to this device have strong appeal, but they are far from easy to write. Achieving depth of meaning through childlike language takes considerable artistry.

The economy and control entailed in this pattern can be seen by examining in some detail an annual report put out by St. Christopher's School for disturbed children at Dobbs Ferry, New York. Printed in 9" x 6" size on rough-textured paper, the report contains only 12 pages. Of these, five are given over to drawings made by children in the school. The bulk of the narrative consists of three single-page statements: "My Name Is Susie," "My Name Is Tom," "My Name Is Arthur." In each statement, simple declarative sentences try to tell a little about what being in the school means to Susie or Tom or Arthur. The reader is aware that the children did not actually write these statements, but willingly goes along with the assumption that they represent the essence of what the children think.

Here, for instance, is the full text of "My Name Is Arthur":

> "I am 13. Everybody calls me Artie. When I came here, I didn't talk. I hollered a lot and screamed, but I didn't talk, especially to grown-ups.
>
> "I couldn't even read, but I wouldn't tell anyone so they wouldn't make fun of me. I used to throw the book across the room and tell the teacher I don't care. Then I'd get sent to the principal and I'd tell him I don't care.
>
> "I guess they cared, though. They've got special teachers here who really know how to help kids to learn. I can read now and I like to read. The teachers like me, not only the teachers here but in real public school too. I'd like to go to High School and be a cook.
>
> "I used to think the only time people would do anything for me was when they had to. Now I think maybe people help me because they want to.
>
> "I like to talk to people now."

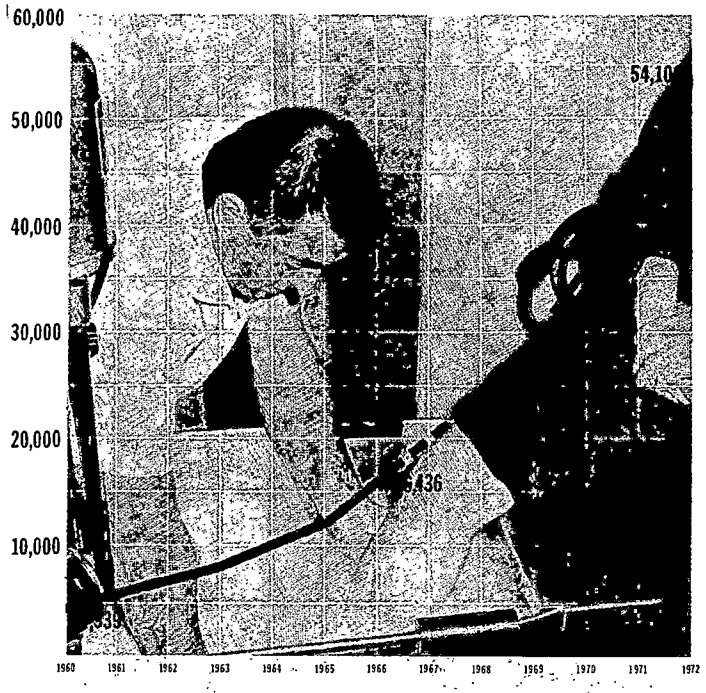
Two of the report's remaining four pages are given over to short summaries by the school's executive director and board chairman, describing the institution's structure, purposes and sources of support; the other two contain an audited financial statement and a list of officers and directors.

The entire treatment makes for an annual report with punch; it is the kind of report that could be designed with a back pocket to serve as a kind of multi-purpose interpretive leaflet.

Spotlight on Statistics. Seldom seen these days is the annual report that consists wholly of statistical tables. This pattern is desirable when the report constitutes a kind of "fact book" to describe large-scale trends that are only meaningful when expressed in numbers. Organizations that may need this type of approach are those concerned with broad problems—housing, urban renewal, city planning and regional distribution of health services, for example.

Because numbers communicated through tabular lists leave the average reader cold, the usual method of bringing figures to life is through stylized graphic symbols. Superimposing a line graph on a photograph

illustrating the subject of the statistics helps the reader remember that the numbers stand for human beings.



A Sommerville, Massachusetts, hospital used a graph superimposed on a photograph to show the actual rise in number of out-patient services (solid line) and project the expected trend for future years (broken line).

The Picture Story. The opposite of the statistical report is the picture-story pattern, which centers attention on people and incorporates relevant figures in photo captions.

Picture stories are well adapted to organizations dealing in group services: community centers, schools, camps, libraries, settlement houses, churches, youth movements. They can be equally effective when the report's theme is relayed through a single individual—say, a handicapped child—pictured in a series of well-contrasted activities.

The picture-story approach is seldom suitable, however, for counseling agencies, where services are primarily built on one-to-one relationships and "action" tends to take an internalized form. While organizations of this nature can and do use photographs, their reports generally need the addition of interpretive text to help the reader understand the subtlety and depth of their services.

The Problem-Centered Approach. Probably the most versatile pattern for annual report treatment centers on types of problems or broad areas of need. Almost any kind of organization can use this structure to link up well-known community concerns with individual case vignettes. The reader thus gains a sense of real people interacting with familiar social forces and environments.

A successful example of this approach is a report issued by the Federation of Protestant Welfare Agencies, New York, whose constituent organizations span all age groups. The report's program content is divided into three sections.

The first, which recounts the year's work in various aspects of child care, is headed "Helping Children Make It." This heading is followed by an appealing case vignette:

> "Jamie is only nine years old—but he has known enough heartbreak to last a lifetime. Deserted by his father and his mother, Jamie reluctantly was taken in by relatives. They clothed him and fed him but Jamie hungered for something he had never known. Warmth. Human contact. An arm around his shoulder. A goodnight kiss. Love. When the need became unbearable Jamie would run away, seeking, seeking.
>
> "Last year Jamie was placed in a children's shelter . . . ."

A second omnibus section, summarizing work with adolescents, uses a provocative question as its heading: "Youth . . . The Happy Time?"

The third section, "And Now We Are Aged and Gray," follows up this sentimental heading with a jolting change of pace. Here is the case vignette which opens the section on services to the elderly:

> " 'The only way I know how to help her is to die.'
>
> "Out of the depths of her despair came this cry from Mrs. Mary L. who has arthritis, glaucoma and heart disease. Mrs. L. lives with her only daughter . . . and she is overwhelmed by a sense of guilt about being a burden to her."

Tying these three sections together is the overall title, "People Who Need People," which states the report's theme and gains emotional reinforcement through association with the song of the same title.

Even when the human element is less prominent, the problem-centered annual report pattern can be skillfully developed. In a report put out by the Long Island Jewish Hospital, the theme is announced on the cover in the form of a question: "What Progress Toward Our Goals?" The report's text never takes its eye off this subject. Its section headings are labeled as follows:

> Goal 1. Patient Care of the Highest Order
>
> Goal 2: To Meet and Anticipate Community Needs
>
> Goal 3. To Serve as an Outstanding Teaching and Education Center

The seach for originality boomerangs when the effort to be "different" sacrifices clarity, consistency or accuracy.

The narrative under each heading summarizes the contributions made during the year by various hospital departments. Although the main subject of the report is the hospital as a whole, there are numerous reminders to the reader that hospitals function through people. Illustrations, brightened with color washes, suggest the many kinds of staff and activities involved in a hospital program. The overall impact is that of a well-organized institution moving purposefully toward worthwhile objectives.

These commonly used patterns by no means exhaust the possibilities, but be forewarned: the search for originality boomerangs when the effort to be "different" sacrifices clarity, consistency or accuracy.

Among unconventional techniques, used with varying degrees of success, are those cast in the form of real or imagined dialogues. A health agency whose executive was interviewed by an experienced radio reporter used an edited transcript of the interview as the text of its annual report. With the help of careful cutting, the report read briskly and conveyed the flavor of a friendly and informative conversation.

While this particular effort came off well, the average report in dialogue form generally betrays its artificiality. As any fiction writer can testify, a flow of natural-sounding dialogue is hard to produce, particularly when space is limited and the writer is trying to force a lot of unrelated facts into a conversational framework.

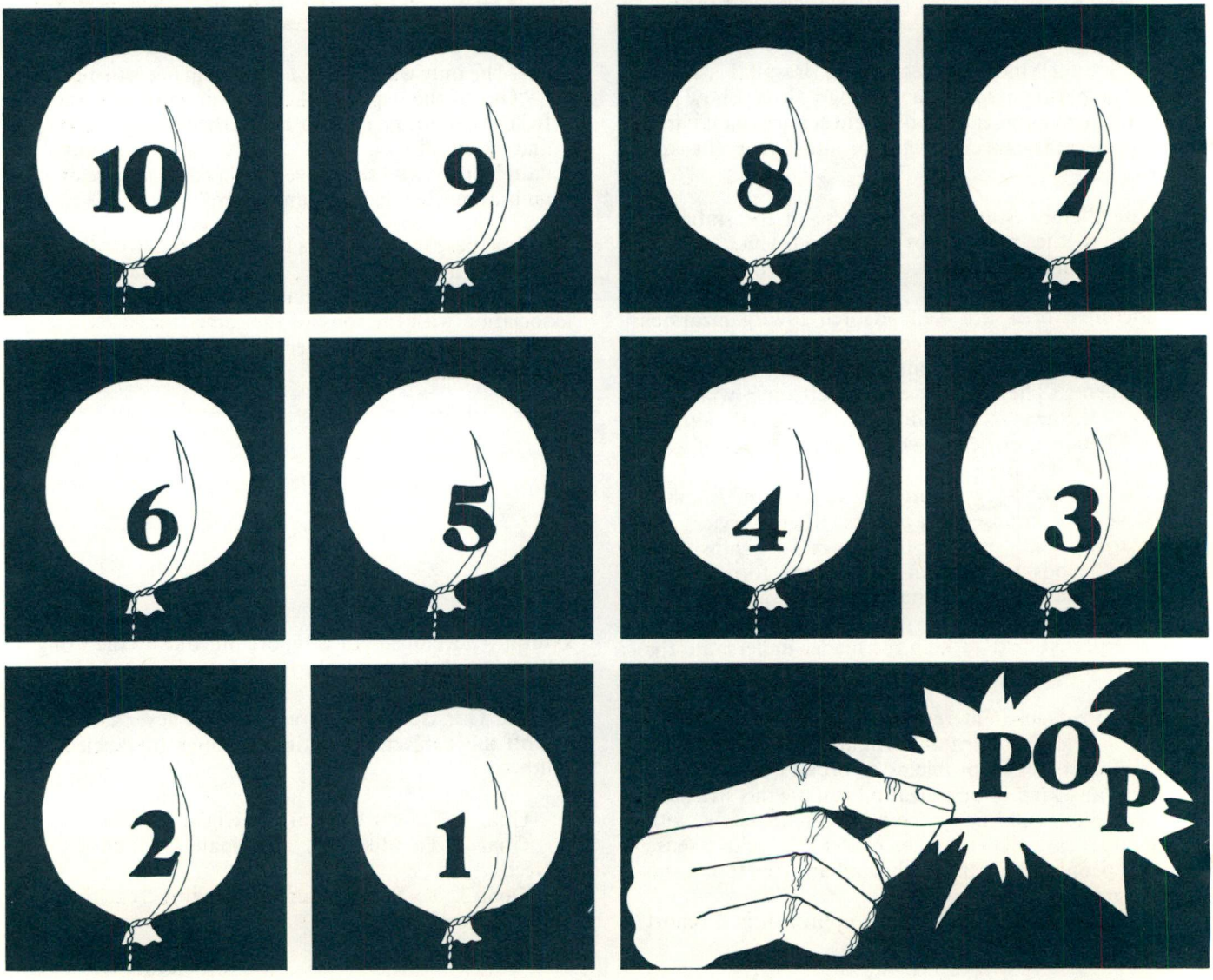
A number of agencies have experimented with annual reports in wall-calendar format. While an attractively illustrated calendar may keep the name of the agency before the recipient day in and day out, it is questionable whether much more than the name sinks in.

The use of metaphorical themes (the tree whose branches are supposed to represent different aspects of the agency's work, the jigsaw puzzle whose pieces make up a picture of the agency, the "birds of a feather" who flock together, etc.) fortunately has waned. What starts out as clever usually ends up as cloying, wearisome, forced, or all three.

Countdown

Perhaps there are a few disciplined souls who obey the injunction that the time to start working on next year's annual report is when this year's comes off the press. For most of us, getting out an annual report is more apt to be a crash program. That being the case, can anything be done to make it less of a crisis?

Yes. It's called planning, and what it costs in time and thought is amply repaid by the end result.



While no single plan fits all circumstances, one approach is universally applicable: objective analysis of your last annual report and your experience in producing it. Here are some revealing lines of inquiry to be pursued:

Which features of the report attracted the most favorable reactions? How did these features come about? Did they result from ideas exchanged at a staff conference—from consultation with board members or the public relations committee—from random jottings you tossed into a folder in the course of the year? Whatever the sources, perhaps they can be plumbed again with equally rewarding results.

What were the report's weaknesses? Were the photographs those you really wanted, or those you had to settle for? Now may be the time to restock your picture file. Was a telling sidelight left out simply because you didn't know about it until too late? You now have a chance to fortify lines of communication with the colleagues who can supply you with significant tidbits in the future.

How long did it take you to do the actual writing? Was there time enough to do the best job you were capable of, or did you stop short of a final polishing because of deadline pressure?

Did you allow enough time for clearance of facts, figures and interpretation with other staff members, or were you (and they) rushed into superficial review because the printer was waiting?

What about design? Did you have sufficient time to weigh various possibilities and select the best, or did design also turn out to be a make-do proposition?

Were your manuscript, artwork and design ready early enough to allow you to get bids from several printers? Was there sufficient time provided for the actual printing, or were you stuck with overtime charges?

Incidentally, did your printer prove reliable, and keep to the schedule and price estimated? If not, a change may be in order and you now have a chance to check around with other organizations for recommendations.

What about mailing and distribution? Were your lists, envelopes or labels all set, so the report could be sent out as soon as it was printed? Were there delays because of the need to process or personalize covering letters? Could these have been done in advance?

Was production of the report timed for coordination with your annual meeting? Was it ready for distribution as you planned?

Answers to questions like these can provide valuable clues to planning a schedule for your next report. To get some of the answers, especially those relating to theme, content or format, ask other staff members for candid comments. Some agencies go even further and solicit opinions from selected samples of their mailing list.

Once you have estimated the time you will need, begin your countdown, working backwards. Assuming, for example, that your report is to be tied in with your annual meeting, and that the meeting date is stipulated in your organization's bylaws as the second Thursday in April, the countdown might look something like this:

April 12—Annual meeting

March 29—Deliver reports to post office for mailing

March 22—Reports received from printer; begin processing of reports for mailing

March 8—Begin running off mailing list on envelopes or labels; prepare covering letters

March 1—Deliver finished copy, art and layouts to printer

February 8—Select illustrations, begin working out layout and design, make needed corrections in manuscript, start final editing and polishing

January 25—Submit finished draft to appropriate colleagues for review and clearance

December 20—Start writing report along agreed-upon lines

December 1—Begin staff discussions to arrive at agreement on overall theme, content and design of report

While this schedule extends over four months, it provides the writer with ample leeway for other activities between concentrated bouts of activity. Depending on the length, simplicity or complexity of the report, your schedule may extend over more than four months, or it may be encompassed in much less time. The only places not to skimp, whether you have in mind a four-page mimeographed document or a 48-page two-color brochure, are in the planning and writing stages.

It need not be an annual meeting, of course, that represents zero hour in your countdown. The publication date may be determined by your overall public relations program for the year or by other factors.

A word about the annual report folder that presumably rests in the bottom drawer of your desk. Theoretically, it should build up to a file of the year's highlights and happenings. But even when it falls short of this ideal, it can be a repository of reminders: that dramatic case history you heard at a staff meeting, an idea for a photo sequence, an eloquent letter from a client, a good-looking layout spotted in the annual report issued by another organization, a telling quotation applicable to your agency's program, a pungent phrase that pops into your head, and so on.

When you get down to the actual job, much of this miscellany may prove to be useless; but if you glean a single inspiration from these random jottings, the folder will have paid its rent.

Style

As important as the content of your annual report are the style and tone of its presentation. Warmth, simplicity and directness make for the shortest road between you and your reader. The report must also tie in with the reader's own concerns as an individual, a parent, a taxpayer, a member of the community.

If you have come to see your organization as an end in itself, you are almost certain to lose readers. The fact that you renovated your offices is not important; what does matter is that the renovation enables your

organization to give better service. Similarly, the report of a new piece of equipment in a hospital operating room may be seen as an expensive extravagance unless you show how many lives have been saved by it.

Such approaches as mystification, empathy, self-interest, imagery or frank adoption of the reader's viewpoint can effectively grab reader interest. But it must be captured early, if it is to be captured at all. "Early" means in the title of the report, the cover illustration, the headline on the first page or the opening lines of the text.

Here are some examples of attention-getters:

Shock Value. "It doesn't kill . . . it just cripples for life" is the stark title of a report issued by the United Cerebral Palsy Association of Chicago. Words such as "kill" and "cripples" are potent in themselves; when combined in bitter irony, they have an overpowering impact.

Mystification. "This is a family . . ." are the only words on the cover of an annual report issued some years ago by United Charities of Chicago. They appear on a narrow color band beneath a stark black-and-white photograph of a young woman enfolding a small boy in her arms.

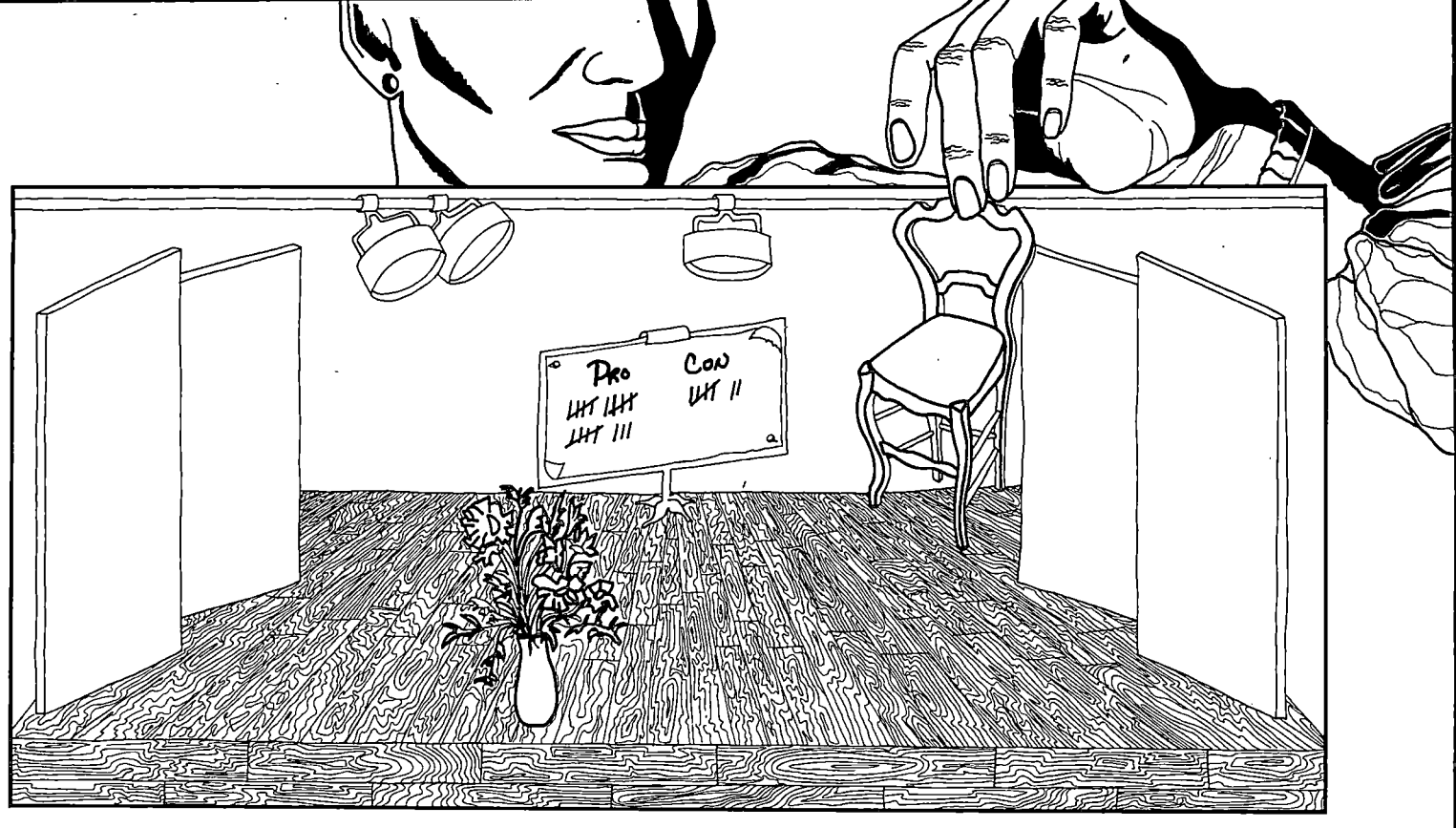
A mother? Shouldn't there be a father, too? What is this brochure trying to say? Mystification impels the reader to open the report, whose theme is the changing pattern of family life and the challenge of serving families as they actually exist and not as they are portrayed in the conventional stereotype.

Empathy. "I'm glad mine are little. I kinda hate to see them grow up. At least I can do something for them now."

This welfare mother was talking about raising children in a slum, but the mixture of hope and resignation in her words is something every parent can identify with. Any report that opens with a quotation voicing thoughts the reader himself has often entertained establishes a strong bond of empathy.

Self-interest. "How much have you spent this year on

Mystification is the attention-getting element in this annual report cover.



new door locks, electronic devices to turn your house lights on at dusk, a safety siren for your car, higher theft insurance premiums? How long is it since you felt safe taking an evening stroll on city streets?"

This kind of opening paragraph in a report by any organization whose program deals with delinquency or drug addiction or other crime-breeding social forces, forges an immediate link between the agency's purposes and the reader's intimate concerns.

Imagery. The subject of a *Life* magazine editor's note headed "The harvest of a quiet eye" was the enduring value of still photographs. Observe how swiftly the reader is carried along in the opening paragraph to understand and respond to the poetic imagery of the heading. Notice also the vivid prose style used to accomplish this:

> "Things move fast these days—change, growth, event and problem. Cameras roam the world to record rocks flying, governments folding. They zoom in on the desperate and the provocative. The sounds and furies and humors of the planet (or beyond it) are rushed past our senses on screens of many shapes and sizes, in a surfeit of sight and sound. . . ."

Reader's Viewpoint. "Good intentions are not enough. Neither is mere activity, however vigorous. If health and welfare programs are to justify their existence, they should show tangible results."

One can almost see the quick nod of agreement by a practical-minded reader to this unsentimental opening statement in the annual report of the New York State Communities Aid Association. In the next sentence, the organization nails down its commitment to the result-minded viewpoint shared by the reader. During the year, it asserts, its emphasis was on "measurement and assessment as well as on action."

Set The Stage

Even before the curtain goes up, a theater audience knows, from reading the program, where and when the action takes place. Scenery and dialogue also establish a specific background of time and place in the opening scene.

The annual report writer must also set the stage. To do this, the writer must adopt the viewpoint of an uninformed visitor. As a writer, it is far better to remind readers of what they already know than to take for granted the understanding of things that may appear glaringly obvious to you.

The principal pitfall lies in the use of general rather than specific terms. Unless the report has already described it in detail, don't write about "our youth program" and expect the reader to know what you mean. Write "our program of remedial reading for teen-agers" . . . "our guitar and folk music classes for young people" . . . "our project to teach girls good grooming" . . . "our group therapy sessions for disturbed adolescents" . . . or whatever. Never mind the fact that you devoted pages and pages to this program last year and the year before that. Why should the reader be expected to remember which particular "youth program" is the one conducted by your agency? Specifics are the key.

Keep It Simple

Once you've hooked your reader's attention, your choice of writing style wins or loses the battle.

The annual report writer is often caught in conflicting pressures, trying to keep the "outside" reader in the foreground while aware of colleagues on the sidelines. Although one can never be sure how much attention the "outsider" will pay to the report, readership by the "insiders" is a dead certainty. Unconsciously, the writer

is tempted to choose language that will impress his or her colleagues. For example:

> "Conceptually, the indigenous leaders' peer relationships with their respective groups are amplified by their perception of the latter's value systems and priorities. The potential resources of indigenous leadership, however, cannot be mobilized without opportunities for implementation."

Surely the same idea would penetrate faster if offered in this form:

> "We assume that the more leaders understand what is important to their communities, the more influence they have with them. But it is futile to seek out such leaders unless they can be given something tangible to work with."

It may take self-discipline to pass up displaying your command of esoteric terms. Keep in mind that professionals can understand layman's language, but not necessarily vice versa.

"Write the way you talk" is the advice most frequently given in how-to-write books. It's good advice, with some restrictions. When you talk with someone, you don't always pause to select the word with the exact shade of meaning you want to convey. You don't always organize your thoughts in strictly logical sequence. A change of expression, an uncomprehending look on your listener's face, a question, will let you know you have not come across clearly. You can then circle back for a second try. In writing, however, you lack the advantage of instant feedback. It has to be right the first time.

Keep in mind that professionals can understand a layman's language, but not necessarily vice versa.

What does help is sticking to "talk" words. Before your typewriter taps out "utilization" ask yourself whether you wouldn't be saying "use" if you were talking, not writing, that sentence. Don't be afraid of colloquial expressions. Say "size up" instead of "evaluate," say "do her job" instead of "fulfill her responsibilities." But be careful with vogue words and phrases; they are apt to have short lives.

There is continuing validity in the basic rules of word selection cited in Fowler's *Modern English Usage*: "Prefer the familiar word to the far-fetched, prefer the concrete word to the abstract, prefer the single word to the circumlocution, prefer the short word to the long."

Even when you have carefully stuck to this advice, you may still defeat your purpose if you allow the words to get lost in meandering, overstuffed sentences. Short words, short sentences and short paragraphs improve reader comprehension.

You should also seek impact—communication with a punch. To achieve this, the words you select must be vivid. They must evoke images, arouse emotions and sensory responses. Here's an example from an essay in the *Christian Science Monitor*:

> "There is strength and force in short words, words that blast and boom, throb and thump, clank and chime, hiss and buzz and zoom. There is grace and charm in short words, too, in words like lull and hush and purr. There are short lush words like dank, muck, and drench and short dry ones like crisp, parch and husk . . . words that work hard at the job, that pry and push, that slash and hack, that cut and clip, that chip and saw."

Fascinating as it may be to toy with words that play on the reader's emotions, note one caution. Overuse of feeling-laden words may lead you from sentiment, which is what you want, into sentimentality, which makes the reader uncomfortable.

Credibility

In an imperfect world, any effort to make an organization look flawless is apt to backfire. Few are the people or organizations who can honestly point to an unbroken string of successes. A community-supported organization has the clear obligation to record its unresolved problems and its failures side by side with it triumphs.

Scrupulous portrayal of the agency brings credibility. The admission that a particular project failed to meet expectations convinces readers that the agency has high standards and makes them all the readier to believe affirmative statements about other areas of the agency's work.

An example of persuasive candor may be seen in an annual report of the Southern Social Services of Minnesota, which quoted a series of comments by ministers, social workers, clients and supporters. Instead of praising the agency's accomplishments, these quotations underscored the inadequacies of existing services. The agency's response to this collection of pleas, protests and criticisms read:

> "Tension between unmet needs and available resources has become a way of life. . . . Weighing urgent program priorities in terms of the greatest good for suffering people calls for agonizing choices . . . . We shall be in this tension for a long time to come. We will cope with it with earnestness, courage, decision, and hopefully, some day, with the knowledge derived from more valid research than we now have available. At the end of [the year] we could simply say, 'We THINK we are doing the best we can.' "

Frank acknowledgment of controversy is another form of candor. Did the year see your agency involved in a major dispute? A disagreement with City Hall, a strike by employees, a clash of opinion with another organization, a hostile demonstration by a segment of the community?

A community-supported organization has the clear obligation to record its unresolved problems and its failures side by side with its triumphs.

Whether you won or lost, there is little point in trying to sweep controversy under the rug. Even people not intimately familiar with your organization may remember you were involved in something that made headlines. If all reference to it is omitted from your annual report, readers may think you are being a trifle too disingenuous. Every last detail of the dispute need not be rehashed in the report. Your good faith and integrity will be adequately established if you include a brief, objective account of the main issues in contention, how they were resolved, or—if not yet settled—how matters stood at the end of the year.

Controversy has another, more constructive aspect. Agencies dedicated to social action promote controversy to overcome public apathy and build a groundswell of demand for needed reforms. If yours is an organization of this kind, the controversial issue will surely constitute a basic theme of your report. The danger here is that of appearing stubbornly one-sided, unwilling to acknowledge any merit in an opposite view. Few issues are so clear-cut that either contender can lay exclusive claim to being on the side of the angels. Fair-minded treatment of the opposition's stand will strengthen your own case by showing the reader you are reasonable.

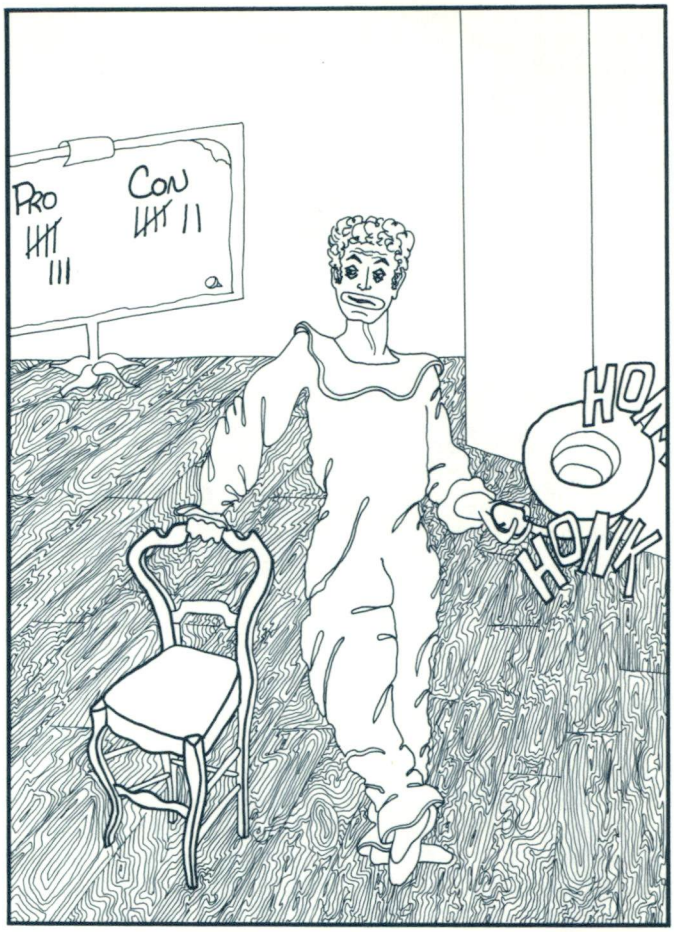
Let Others Blow Your Horn

Modesty is just as becoming an attitude for organizations as for individuals. If you believe your organization is doing an unparalleled job, you certainly want the reader of your annual report to share your opinion. Wouldn't it carry more conviction if, instead of your saying so, you could find someone else to say it for you?

Spontaneous testimonials from those who have benefited from your organization's work will go a long way toward convincing the reader that yours is indeed a fine agency. But they must be *real* testimonials, by *real* people, couched in their own words and, whenever possible, signed with their own names and accompanied by their photographs.

In the past, most social and health agencies recoiled from all forms of client identification on the grounds that confidentiality was basic to professional practice. This attitude is steadily being discarded. Why the change? Partly, it has been a response to popular demand for publicly supported institutions to produce concrete evidence of results. Partly, it has come about because broadened understanding and acceptance of social or emotional problems have helped remove some of the stigma formerly attached to such conditions. More persuasive than either of these has been a third factor: clients of counseling and health organizations have shown much less reluctance to be identified than anyone ever expected. Public relations practitioner Alfred V. Taylor has pointed out:

> ". . . identified cancer patients, including celebrities, have testified on how they were cured. Fred M. Wilson, a 28-year-old father, is announced to the press as the 5,000th employee from the ranks of Detroit's 'hard-core unemployed'; identified foster children or families benefiting by homemaker service are featured in



> Sunday supplements; picture stories of treatment of the mentally ill and emotionally disturbed make strong appeals in major magazines; . . . clients helped with confidential marital problems have appeared at board meetings of family service agencies to explain how they were helped, and people in poverty have gladly posed for photographs to help interpret their plight on welfare."

The annual report writer who makes use of clients' willingness to testify builds not only credibility but empathy. The reader will respond far more strongly to the unpolished but patently sincere words in which Mrs. Harris tells what the agency did for her and her family than they will to the most deftly written case history of "Mrs. H." A photograph of the Harris family will enhance believability even further.

When you use quotes or pictures, however, be sure you have the clients' consent, or the consent of parents or guardians, *in writing*. Clients have been known to change their minds. The fact that you know they gave oral permission or posed with obvious pleasure may not be adequate to protect your organization in case of a suit for invasion of privacy.

Most effective of all are those testimonials that also imply a direct benefit to readers. If readers are business people or stockholders, they will see the counseling agency in a new light when presented with tributes from industry citing the agency's work in helping employees with their problems, thereby improving productivity and/or reducing absenteeism.

Be generous in spelling out the ways in which your work meshes with that of other agencies.

Be Generous

Some organizations take an exaggerated view of their own programs. Consciously or otherwise, a good many annual reports give the impression that the agency is a one-man band, making music all by itself. But even if your agency is the only double bassoon in town, it is nonetheless part of an orchestra. Since so much of what you do is in concert with other instruments, it seems ungracious not to acknowledge the existence of the orchestra—or to do so grudgingly by burying the acknowledgment in an inconspicuous paragraph.

Be generous in spelling out the ways in which your work meshes with that of other agencies. Whether it's the local health clinic that gives priority to the children your agency refers . . . the community center that answered your plea for recreation opportunities for the blind by starting a whole new program . . . the organizations that joined with you in signing a petition to the legislature . . . the business firm that took a chance on employing school dropouts among your clients: give them their full share of glory at the same time you describe the efforts of your own agency in these areas.

The reader's respect for your organization's work will be heightened when he sees how resourcefully you make use of community facilities. And—who knows?—you may benefit by reciprocal mention in the reports of the agencies that cooperate with you.

Save some good words for the members of the community who make your work possible. Not just your formally enrolled volunteers, not just your major contributors, but those who helped in other, perhaps more spontaneous ways: the fraternity that put on a show for your senior citizens' club; the fourth-graders who donated some of their own toys to your nursery; the bank trust officer who recommended your agency as a legatee of an estate; the neighborhood teen-agers who pitched in to help clear your walk after a heavy snowstorm.

Even when they have not rendered a specific service, members of the community who maintain an interest in your program, who come to your annual meeting or buy tickets for your benefit events or attend your bazaar, are also entitled to recognition. The more you can show, by example and illustration, that the community is interested and involved in your work, the better your chances of making that interest and involvement broader and deeper.

If at all possible, photographs showing actual citizen participation should be considered for inclusion in your annual report. Informal shots of individuals and small groups give a warm, lively tone.

Again, a word of caution. Usually it is not necessary to get releases (written permission) from persons who

are photographed at public events covered by newspapers or TV. If your annual report has a fund-raising element, however, beware. In such a case it would be better to use only candid shots of board members or other persons whose permission you already have for the use of their names and pictures in your agency's support program.

Finally, while you're distributing bouquets, what about some for members of the organization "family": the committee groups who gave up so much of their time working out policy problems . . . the volunteers who pitched in to answer the phones the week half the staff was sick with the flu . . . the staff itself, who kept steadfastly on in the face of ever-mounting crises, who came up with creative new ideas for program development, who shared the fruits of their experience with professional colleagues by speaking at conferences or writing articles for the journals?

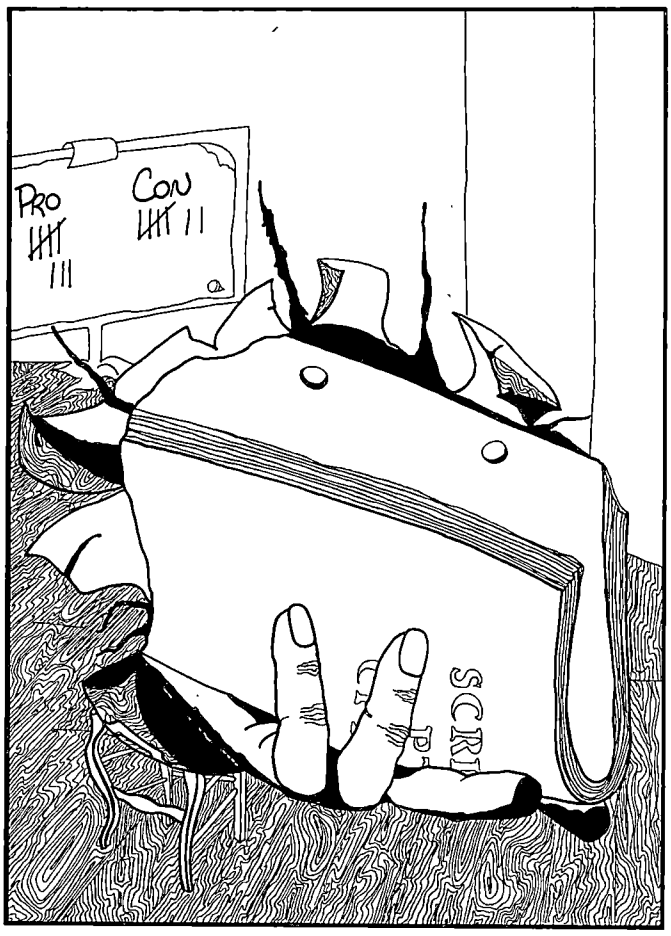
Give The Reader A Role

Many a handsome annual report—carefully planned, thematically unified, sparklingly written and illustrated, meticulously designed—nevertheless leaves the reader with a dull "so what?" feeling. These are reports that have neglected one vital element: giving the reader a specific role in furthering the organization's goals.

There is no real reason why a report that tells readers what you have done for them and their community should not at the same time outline what they can do for you. Is your agency striving for a change in legislation? What do you want readers to do about it, besides applaud? Should they write their congressional representatives, the governor, the mayor? Tell them what would be helpful. Does your agency need more adoptive parents, more foster homes for children or the aged? Ask your readers to help you find them. To guide their search and ward off the frustration of useless effort, outline your agency's basic standards for adoptive parents or foster home care.

Would more volunteers help put your program over? Say so, but be sure to identify the skills you seek or the particular time slots that need filling. Be as specific as you can in outlining what the volunteers will do. Good will quickly turns into irritation when would-be volunteers are led to believe you want them to help care for children in the clinic or teach handicapped people to swim, and then find out you are really looking for people to file cards or address envelopes.

Are you in search of capital funds for a new building? You might describe your plan for raising the needed money, but be careful not to turn your annual report into a direct appeal for funds unless you want its total cost charged to fund raising. So long as the report is a record of your agency's stewardship, its cost is chargeable to "Management." On the other hand, if the report directly asks for funds, its cost is a "Fund Raising" item under the uniform standards of accounting and financial reporting now required of most health and welfare agencies. (See page 57) Use of the form of gift and form of bequest mentioned earlier are not usually considered to constitute a fund-raising appeal.



There are many ways to give readers a specific channel for action that puts them into partnership with you. They may not be able to respond immediately, but they will feel closer to your organization if they are invited to share in your activities.

Final Touches

Your annual report will benefit greatly if you can put it aside, once the first draft is finished. It need not be for long, but if you can allow the draft to lie fallow for a few days, you are apt to have a superior finished product.

For one thing, your unconscious mind will keep working at the report. You will find yourself suddenly remembering something you meant to include. Out of the blue may come an idea for a more pungent chapter heading, or a better way of handling that passage you weren't quite satisfied with. Even if no such creative additions strike you, the perspective gained by a few days' separation from your manuscript will make it easier for you to edit it effectively.

You will see new ways to cut, to sharpen, to speed up the flow of the text. You will also be better able to spot informational or logical gaps in the exposition.

Presumably, you will then be submitting this edited draft to one or more colleagues for factual review and clearance. Their comments may necessitate new corrections. However, if your writing was preceded by careful planning, and the planning was preceded by agreement on the general theme and thrust of the report, any needed changes should be relatively easy to make.

While others are reading what you have written, you have time to think about some finishing touches in preparation for designing the report's final format.

One question you might ask is: Does your report unavoidably contain a good many technical or professional terms? In the health, hospital and rehabilitation fields, for example, there is often no way of escaping the use of medical terminology. If you are in this situation, your report may need the finishing touch of a glossary. This need not be just a dull list of definitions. Perhaps you can adapt the technique used by a large chemical firm which brought to life a glossary of financial terms through scribbled marginal notations that not only clarified the financial statements but called attention to highlights in the company's performance.

An annotated glossary like the one below, in an annual report of the Witco Chemical Company, can apply not only to financial terms but to any kind of technical language.

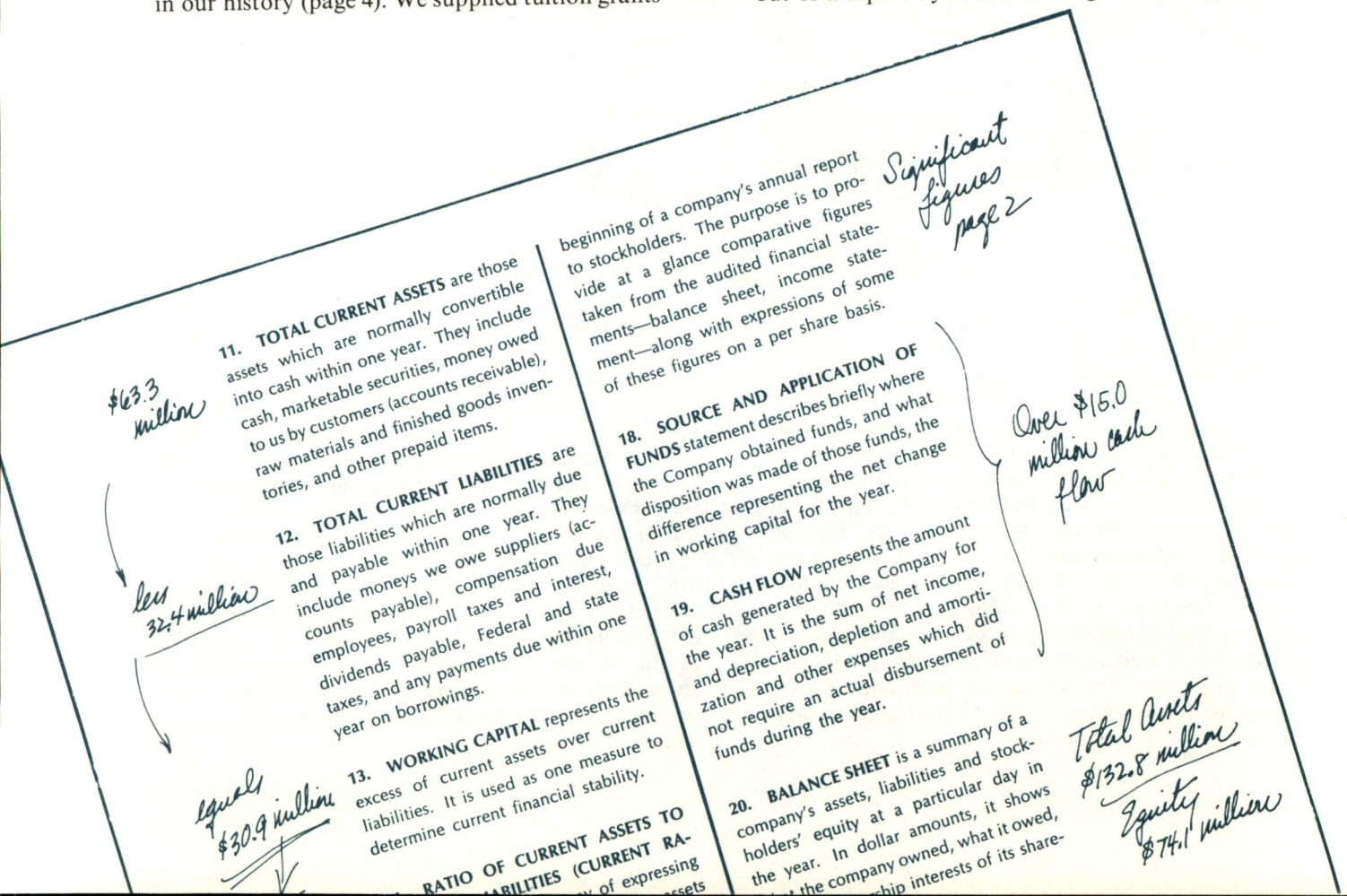
Another question you might consider is whether your organization's program is so extensive, covering so many different activities, that even the attentive reader is in danger of losing sight of the forest for the trees. Using a table of contents is one way of tracking a path through the forest. Even better, open the report with a brief synopsis of the year's highlights. Best of all, make the synopsis tantalizing enough to induce the reader to read the entire report.

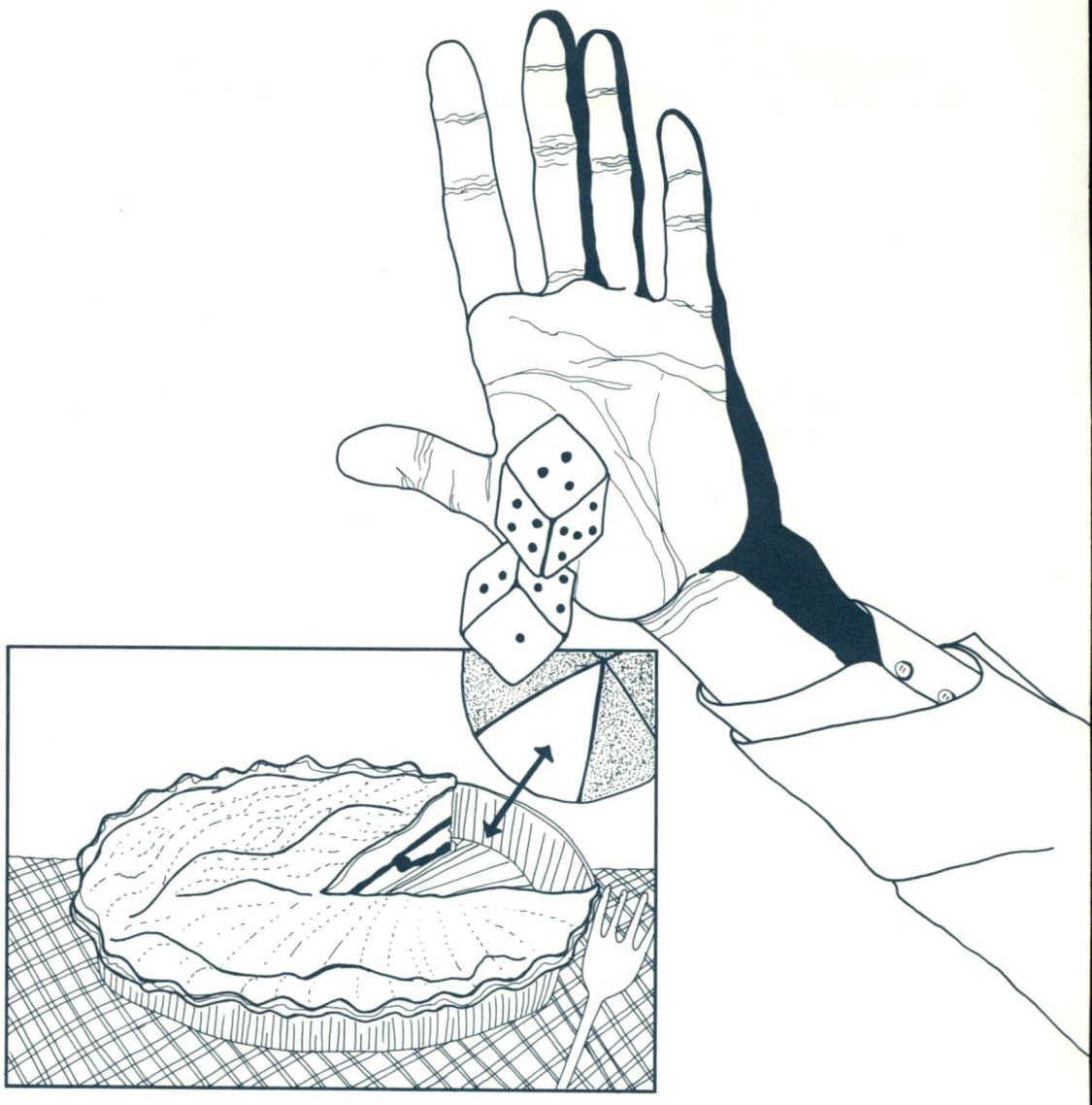
Here for example, is a hypothetical synopsis that might be used by a youth counseling agency:

> This year we saw the largest number of new faces in our history (page 4). We supplied tuition grants for some of our staff workers to take a course in elementary Spanish (page 6). Our northside branch office finally came into being (page 7). Our 3-year research project was concluded and the results surprised even us (page 9). Inability to recruit the right people forced us to defer a promising project (page 11). Our group therapy program was presented at a national forum and agencies from all over the country are besieging us for details (page 12). The family of a youngster we worked with a few years ago repaid us tenfold through an unexpected gift (page 14). In partnership with city health authorities, we began an experimental program to cope with drug addiction among school children (page 16). We spent more than we received, but have worked out a plan for better budgeting in future (page 20).

If the annual report reader got no further than this half-page synopsis, he still gleaned an impression of an alert, dynamic organization, taking successes, failures and unsolved problems in its stride. But it is reasonable to suppose that many readers did go further: that the "teasers" in the synopsis caused them to turn to page 9 to see what the surprise research findings were, to page 11 to find out what project had to be put off, to page 14 to read about the gift made by the grateful family.

What is probably the ultimate in synopses once appeared on the cover of an annual report issued by an advertising agency. It consisted of three words: "Business was good." Your organization may not be able to match this for brevity, but you will probably be surprised to see how powerful an essence can be distilled out of a report by means of a tight summary.





The job of the writer is to incorporate the necessary numbers in ways that the reader will find easiest to absorb.

The Numbers Game

There are two kinds of numbers the annual report must deal with: service statistics and financial figures. While it may not be the writer's job to compile the agency's service statistics, these must be integrated with the report's theme, text and design. Financial figures, on the other hand, are traditionally prepared by the agency's auditors and, in many instances, are sent along to the printer without further ado. Current thinking, however, calls for writers and designers to introduce as much clarity and creativity into the financial record as into the rest of the report's contents.

While some people are capable of deriving as much meaning from a column of figures as from narrative, the majority are not. The job of the writer is to incorporate the necessary numbers in ways that the reader will find easiest to absorb.

Not all the statistics compiled by an organization in the course of a year are obligatory inclusions in the annual report, even though they may be important for administrative purposes. For example, to study the relative costs of home visits as against office interviews, an agency may have kept records of staff members' travel time, frequency of telephone contacts, etc. Did

the findings bring about a major change in organization policy? Did they help explain a significantly lower caseload per worker during the year? Unless something of importance resulted, there is no reason for such statistics to appear in the annual report (although you might mention that the study was made for the sake of improved efficiency).

The types of service statistics that qualify as annual report "musts" are relatively few in number. Your reader is entitled to know what services your organization gave, in what volume they were given, how many people were involved in or affected by them. You may also need to show how many staff members were employed and relate the staff figures to the service statistics.

Other types of statistics may prove necessary to validate the extent or seriousness of the social or health or civic problems your agency contends with. These might relate to the number of people in your city who are chronically unemployed, or the comparative proportions of mothers receiving prenatal care in different neighborhoods, or the percentage of substandard dwellings demolished or renovated, or similar social and demographic data. If it fits in with the theme of your report, you may also want to include figures showing what segment of these problems your agency dealt with or aims to attack in the future.

For most organizations, the use of year-by-year comparisons is optional. If your service figures did not differ much from those of the preceding year, there is not much point in publishing comparative tables. If, however, there were significant changes, up or down, there may be excellent reasons for you to highlight annual comparisons and explain the causes of the changing picture.

Perhaps you served *more* people because the need was greater, or because you expanded your facilities, or because a long-term educational campaign to make people aware of your services finally took hold. Perhaps you served *fewer* people because lack of funds or staff shortages forced you to eliminate one of your programs or to close intake for awhile, or because your organization made a policy decision to do more intensive work with fewer clients, or because the nature of your community underwent radical change.

Where comparative statistics really come into their own is in depicting the human needs your organization is in business to serve. Here it may be important to let the reader know whether the number of broken homes, or cancer victims, or families in need of decent housing, or deaf children, or whatever, is larger or smaller than in the past. Any such information will necessarily be accompanied by interpretation of what these trends mean for the community and for the work of your organization.

One other factor to consider in deciding what figures belong in your annual report is the public's growing demand for accountability—that is, *results*. Service is not an end in itself. There should be some way by which you—and the public—can determine whether you are getting somewhere. If your organization does not have data on the results of what it does, then perhaps it needs more or better records.

Although service statistics usually reach the annual report writer in tabular form, it does not follow that the reader, too, must receive them that way. In many instances, the significant numbers can be readily extracted from the tables and worked into the annual report narrative. In picture-story reports, captions may prove to be the best place for presenting service figures.

There are times, however, when extensive tabular matter cannot be avoided. This is the case with some governmental agencies which are legally required to publish statistical information. It may be the case with either public or voluntary organizations when the annual report presents research findings that constitute permanent reference data. One way of coping with such situations is to move the tables out of the main body of the report into an appendix, where they can be studied by those who wish to do so, while the principal conclusions to be drawn from the figures are worked into the main body of the report.

Giving meaning and immediacy to numbers is not nearly as hard as some people think. The main secret is miniaturization: reducing large, hard-to-grasp figures to a more personal scale. For example, few people really absorbed the significance of the statistics on prevalence of mental and emotional illness until the numbers were translated into the stark statement that every tenth person in the United States could benefit from professional treatment. In the same way, the multi-digit dollar figure showing what it cost your city last year to fight crime assumes direct personal meaning if it is shown to take $185 a year out of each taxpayer's pocket. The technique works equally well with less than astronomical numbers. Did 21,000 people apply to your agency during the year? You can let that figure speak for itself—or you can dramatize it by saying, "Every 25 minutes, around the clock, someone in need of help knocked at our door."

One of the most popular ways of making numbers meaningful is to turn them into pictures. Some annual reports consist almost entirely of numbers put into visual form by means of charts, graphs and diagrams. While the average report does not lend itself to overall treatment of this kind, it may benefit from one or two pictorial treatments that show trends or make comparisons.

Visual statistics have acquired a good deal of sophistication in recent years. The three basic forms—line graphs, bar charts and pie charts—have been ingeniously elaborated, through the use of color and artwork, to attract the reader's eye and convey meanings with all possible speed.

A number of firms specialize in visual treatment of statistics. While there exist stock symbols that can be adapted to the work of most community service organizations, and the use of such symbols will reduce the cost of having charts made for your annual report, the fee for professional preparation of the charts is not cheap.

One way around this cost dilemma is to produce a deliberately primitive, home-made chart whose attraction lies in its very lack of sophistication. Probably no report can afford more than one such illustration. If you are going to try this or a similar do-it-

yourself technique, be sure to limit the subject of the chart to simple trends or comparisons. And, unless you have had experience with this type of thing, consult a basic text to make sure your chart conforms to accepted principles of graphic presentation.

The Department of Welfare and Institutions, Richmond, Virginia included this example of a primitive chart in a booklet on annual reports.

MAKE YOUR TYPEWRITER WORK

TAKE o and x and make children:

o o o o o
x x x x x

TAKE o and m and A and make adults:

o o o o o
m m m m m
A A A A A

TAKE them all and make a family:

o
m ooo
A xxx

COMPARE costs:

1977 $$$$$$$$$$$$$$$$$$$$$$
1978 $$$$$$$$$$$$$$$$$$$$$$$$$$
1979 $$$$$$$$$$$$$$$$$$$$$$$

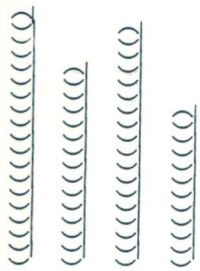
COMPARE CASES:

May ooooooooooooooooooo
mmmmmmmmmmmmmmmmmmm
AAAAAAAAAAAAAAAAAAA

June ooooooooooooooooo
mmmmmmmmmmmmmmmmm
AAAAAAAAAAAAAAAAA

July ooooooooooooooo
mmmmmmmmmmmmmmm
AAAAAAAAAAAAAAA

TURN THINGS SIDEWAYS AND

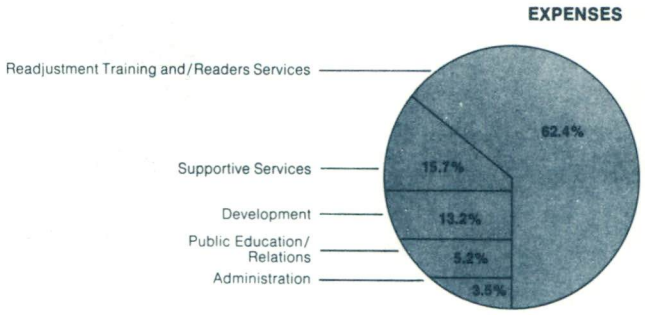


MAKE MONEY

Dollars and Sense

Making sense out of dollars is a responsibility of the annual report writer. Since not everyone understands the language of finance, the writer should try to make this portion of the annual report less formidable.

For an easy-to-read summary, nothing beats the old reliable pie chart. Most people can understand it; the use of color or shading can make it attractive.



A pie chart or any other graphic presentation, however, cannot substitute for your auditor's report. That report will be most understandable if it is prepared in accordance with the guidelines issued for various types of nonprofit organizations by the American Institute of Certified Public Accountants (AICPA), 1211 Avenue of the Americas, New York, NY 10036.

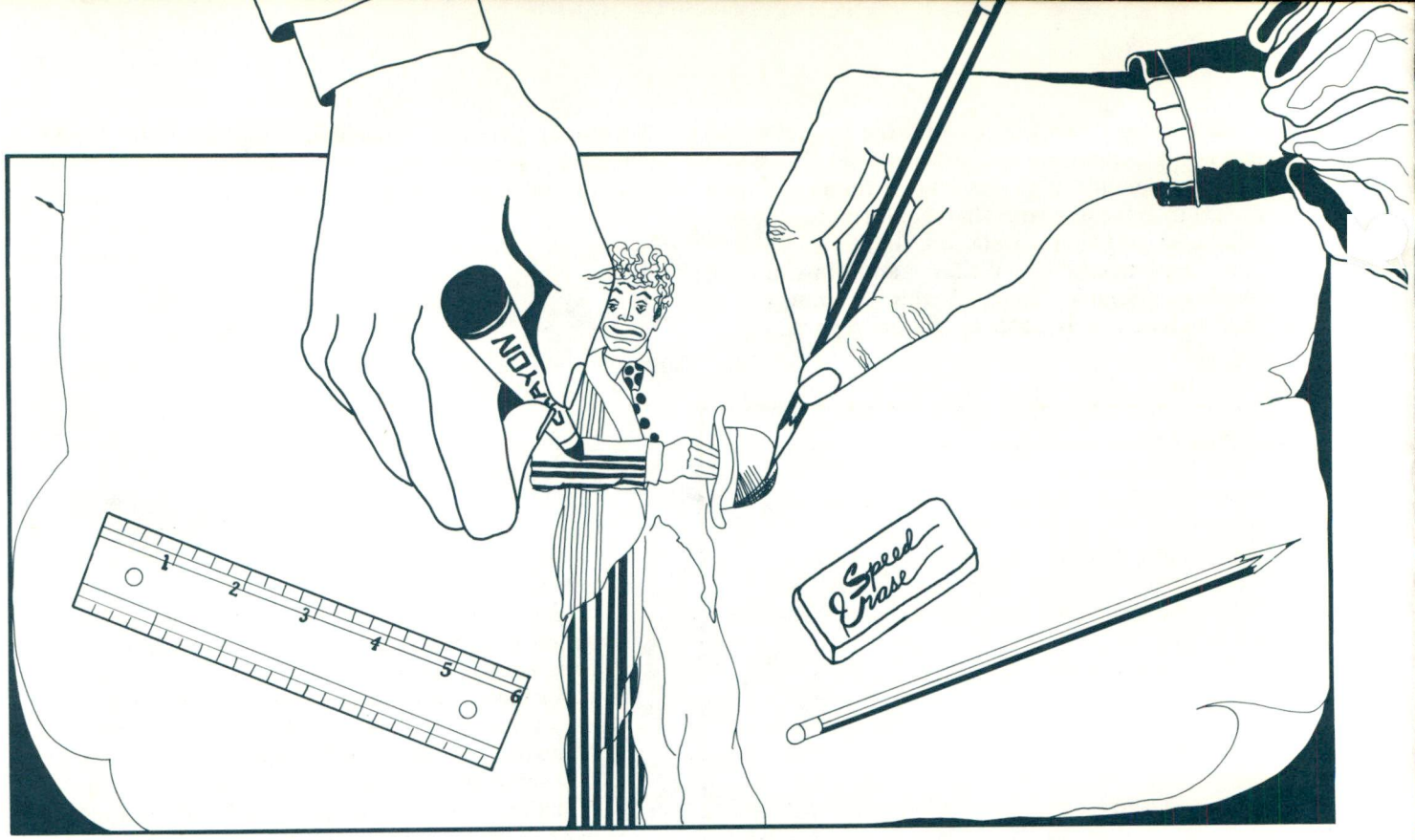
Probably your organization will be covered in *Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations, Revised 1974.* This book can be purchased from the National Health Council, 1740 Broadway, New York, NY 10019.

The United Way of America publishes an even more detailed guide for its member agencies. A number of national organizations provide similar publications to assist their local chapters in using the *Standards*; if you are not already familiar with them, it should not be too difficult for you to find a copy of the *Standards* in your community.

The object of uniform accounting and financial reporting is to enable the public, including contributors and regulatory officials, to see just how an agency is spending its money. All income and all outgo must be shown. In addition to listing the traditional "line" items of expense, such as salaries, rent, and office supplies, uniform accounting requires that you break down expenditures according to objective—your various programs plus the supporting services, management and fund raising. These breakdowns can be very helpful to you in interpreting what your organization actually does. They also recognize the public's right to know how your expenditures for comparable items compare with those of similar organizations.

Even if you are not yet required to use the uniform accounting standards, your agency's credibility will benefit if you do. It may take more space in your annual report, but it will be worth the cost and effort.

Must financial statements be left stark and unadorned at the back of an otherwise well-illustrated report? If reporting is to be done in terms of program areas, why not use visual evidence of them right on the financial pages? Framing the financial statements (or, for that matter, statistical tables) with a border of photographs or drawings illustrating their subject matter goes a long way toward turning dead numbers into live people.



The Custom-Tailored Touch

Your annual report needs a custom-tailored design and format to reflect both the nature of your organization and the theme of its report. A lavishly illustrated two-color brochure issued by a struggling agency is incongruous. Equally inappropriate is a skimpy, cheap-looking report put out by a prestigious national organization. Neither projects a valid image.

Attractive annual reports appear in every size, from the miniature to the mammoth. Reproduction processes range from the homely mimeograph to the most advanced lithographic and letterpress techniques. Some reports take up no more space than two sides of a single sheet of paper; others run to 48 pages. Some are all text; others are mostly pictorial.

Reports are produced on newsprint, on part rag paper, on textured offset stock and, rarely, on the glossiest coated paper. Sometimes they combine two or more textures of paper. They are printed in one, two, three, four colors.

At first glance, so many possibilities may seem confusing; but the principle of suitability quickly helps narrow the range to a sensible set of options. What are the factors to be considered?

The question of your organization's *standing* in the community or in the state or nation is of cardinal importance. Another major consideration is the *theme* and *purpose* of your report. For a golden anniversary, a bit of splurge is understandable. For the year that saw you cutting back on program because of budgetary problems, a modest-looking document will reinforce the report's account of your agency's financial austerity. The report that aims to arouse public indignation might justifiably go in for an exceptionally dramatic format. The report that details the findings of research studies and thus constitutes a permanent reference document needs a sturdy cover and binding. And so on. A clear knowledge of the overall impression you want to convey, as well as the end uses of the report, should guide your choices.

Another factor is *expense*. Your budget will tell you how far you can go in terms of illustration, color, grade of paper or special effects. The quantity you need to order also plays a role. If your mailing list has been greatly expanded, or if you plan to order extra copies to use for year-round educational purposes, you may have to spread available funds a bit thinner. On the other hand, the larger your print order, the smaller the cost per copy. Both considerations will have to be balanced.

Another item that bears on expense as well as format is *distribution*. Will you be sending your report through the mails? The heavier the paper, the larger the postage bill. Then, too, unless your report is of a size and shape to fit a standard envelope, you may have to have special mailers made. The envelope question also arises if you expect to use reports to accompany correspondence in the course of the year. In that case, a size that fits into a regular letter envelope is more practical than one that has to be mailed under separate cover. If your distribution plan calls for most of your reports to be given out at a meeting rather than mailed, this may dictate a small-size format that can be carried away conveniently.

There is also the question of *bulk*. If, after cutting your text as much as possible, you find you still need a good many pages to accommodate your narrative, you will face some difficult space-saving decisions. Perhaps some of the full-page illustrations you originally planned will have to be reduced in size or omitted. Perhaps the cost of printing so many pages will mean sacrificing the use of a second color. Choosing a lighter-weight grade of paper can save money in both printing and mailing.

In deciding what will have to give, bear in mind that the one economy you should not consider is using type that is too small for comfortable reading or pages that are too crowded to invite the eye. There is no surer way to defeat the entire purpose of putting out an annual report.

A large number of commercial artists and design firms specialize in printed materials. It is worth your while to gain access to this kind of professional service. If your budget does not make provision for it, perhaps a local advertising agency can be induced to contribute the help of its art department as a community service. Many do. Another potential source might be a business firm that employs artists and typographic designers in its advertising or public relations department. A member of your governing body may be connected with such a company. The public relations staffs of some national agencies offer advice, if not actual execution, to local affiliates.

One word of caution: be careful not to rely so heavily on design that it runs away with you. For example, a giant-size format will attract attention, but its drawbacks may outweigh the advantages. If it is being sent to people's homes, it may be mutilated when it is jammed into the mailbox. Some people like to keep files of literature on organizations in which they are interested. Issuing a report too large to fit into a filing cabinet or on a bookshelf leaves the recipient with only one place to "file" it—the wastebasket.

The one economy you should not consider is using type that is too small for comfortable reading or pages that are too crowded to invite the eye.

Even artistically sound design can overpower your message. For example, some designers like to print blocks of color over text. Unless the tone is very light, you may wind up with a pretty page that is unreadable. A good working relationship with your layout person can ensure that your design will enhance, not obliterate, what the report is trying to say.

Considering the amount of printed matter that reaches the average person, the chances of your annual report's being read are rather small unless you have in some way made it stand out from the crowd. There *must* be something about the appearance of your report that invites the reader to at least leaf through the pages. Cover treatments, illustrations, headings and typography all offer opportunities for distinctive handling.

Cover Treatments

One place where originality counts heavily is the annual report cover. Here is where not only the report's title but your choice of illustration, color, design and type handling will either entice readers or leave them cold. Some elements that lend distinction to covers are suggested below.

Photographic drama is achieved through the half-lit face of a somber youngster against a shadowed background that permits an agency's name to stand out in reverse lettering. (example on page 60)

An intriguing quotation combines with an evocative photograph to arouse the reader's curiosity. Absence of any clue to the source also adds to the intriguing effect. (example on page 61)

Straight talk, unsoftened by any sort of art or illustration, challenges the reader's intellect. The plainness can be accentuated by the fact that a report, including the cover, is printed on newsprint stock.

The charm and innocence of a child's drawing often makes for an irresistible cover, particularly when the report's title displays the same qualities. In a report issued by a children's institution, the cover illustration consisted of a stick figure "self-portrait" by a very young child. Title: "There's only one of me."

Carefully staged understatement can pack a real wallop. Three words, "Year of Crisis," constituted the entire text on the cover of a report issued by the United Jewish Federation of Buffalo. The words were whispered, not shouted; they appeared in a small line of white type on a solid black cover that enhanced the gravity and import of the "crisis" element.

Embossing introduces an element of tactile appeal. The presence of raised text or design creates the same kind of contrast as a second color, and is particularly effective when applied to a distinctive emblem or logotype.

Color-keying creates a sense of continuity. Some agencies select a particular type style and color combination and use them consistently in all printed materials: stationery, newsletters, leaflets and posters. The recognizable type-and-color combination on the cover of the annual report gives the reader a comfortable feeling of familiarity.

Illustrations

In thinking about annual report illustrations, actual depictions of the agency's services and its areas of concern first come to mind. There are also a number of other possibilities to be considered. Remember that every illustration used in an annual report must make a positive contribution to the report's overall theme and content. Illustrations used purely for ornamentation not only waste space but may distract the reader's attention from what you are trying to convey .

While illustrations are desirable, they are by no means indispensable. Good typography and imaginative layout can combine to produce an inviting, eminently readable report. If illustrations simply don't belong in your annual report, or if those you have access to are not really good enough to use, do without them. No illustrations are better than poor ones. If, however, your report can appropriately use illustrations, a little imagination may help you find them in unexpected places.

Photographs. Unquestionably best are pictures of real people in real settings doing real things that have a real relationship to the report's subject. But—if you don't have a fresh supply of such photographs, and your existing stock has been used to death, there are still a few options open to you.

One is to go through that file of old photos with a fresh eye, looking for fragments with potential. In a

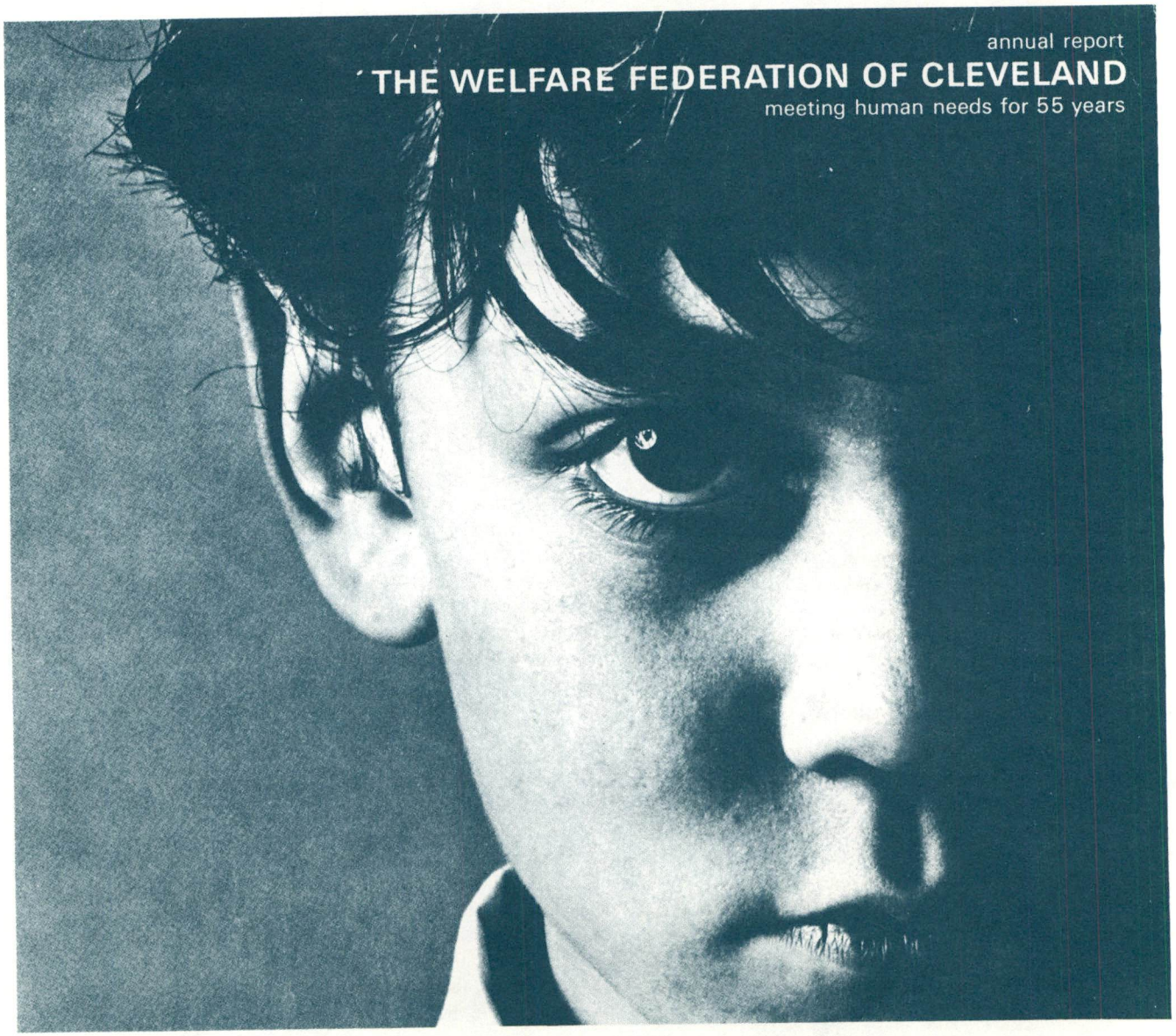
group activity picture, for example, you may find a single face or figure that is sharply enough defined to stand cropping and blow-up. Silhouetting or airbrushing to eliminate background will give an altogether different look to what was formerly just one element in a larger composition.

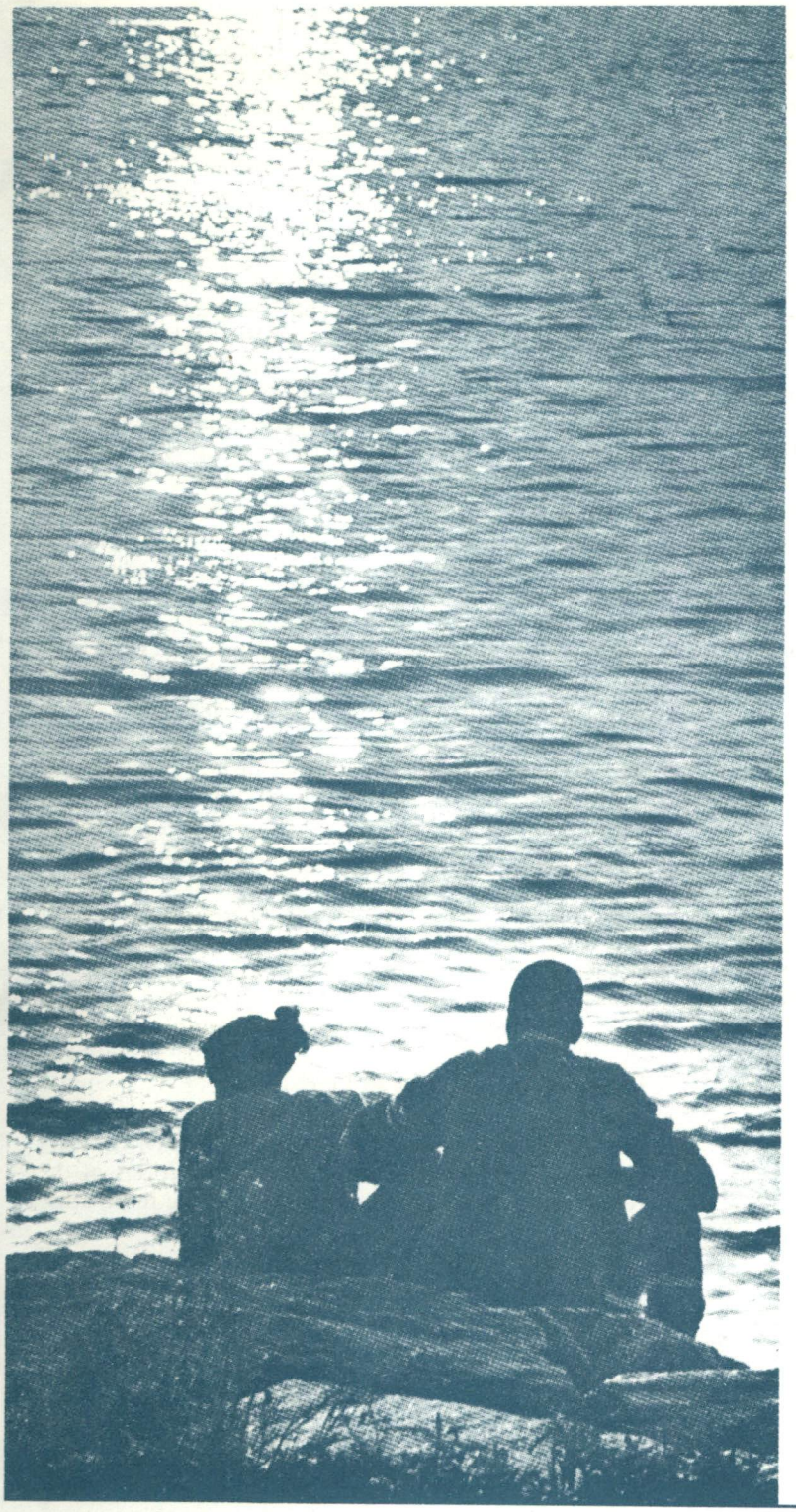
You can also use photos that are not your own. Numerous commercial firms maintain collections of stock shots and sell them at nominal cost. Although most stock shots tend to be bland, you might subject them to the same scrutiny as your old photographs, seeking dramatic details that can be separated from their background.

Another outside source might be your local newspaper. Here is where that annual report folder you keep in your desk may pay off. If, in the course of the year, you have clipped effective news photos that can be related to your agency's work, you may be able to buy prints from the newspaper (you may even be lucky enough to get them free), keeping in mind, of course, that appropriate credit lines will have to appear. Note, however, that if you wait too long after such a photo has been published, the negative may no longer be on file. It might make sense, as you spot a possible illustration for your annual report, to go after a print at once. If you don't use it this year, there's always next year.

Do you exchange printed materials with kindred organizations in other parts of the country? As their brochures and reports cross your desk, have in mind the possibility of borrowing or buying an outstanding photo from an agency whose readership is altogether different from yours. Here, too, remember the credit line.

One aspect of photographic illustration that is often overlooked concerns the pictures of officers which many annual reports contain. If your organization follows this practice, give some thought to whether your next report might not be livened up through replacement of the usual formal studio portraits of your president, treasurer, administrator, etc. with candid shots showing them in some form of action: on the telephone, reading, conferring, writing, answering questions at a meeting, etc. Such photographs not only add animation to your report but help the reader see





BEYOND TODAY'S STRUGGLE

I believe there lies a tranquil sea upon which we may one day embark...

your top people as human beings rather than symbolic figures.

Art. As noted in relation to annual report covers, children's drawings have considerable appeal. This is also true of work by other untrained artists, such as members of the art class in an institution for the elderly. Be careful, however, about using the kind of "Sunday painter" work that is too sophisticated to be primitive and not good enough to be professional. It seldom comes off. Work by trained professionals can, of course, make a real contribution to design.

Another repository of potential art may be found by poring through museum catalogs. Well-chosen reproductions of art masterpieces can sometimes be remarkably relevant to the theme of your report.

Still another place for professional art is in schematic drawings that diagram how your agency is structured, or clarify the progression of steps involved in serving people, or depict the ways in which a number of different services are brought to bear on a single problem.

Make Headings Count

Tradition, protocol or other valid considerations may require that your report open with a statement by your organization's president. But must it be so labeled? Surely it contains something of substance that can lend itself to a more interesting heading than "Report of the President." Advertising research has shown that readership of headlines is many times greater than readership of text. If your headlines do not tell your story, a lot of readers will never know what your report was trying to say.

Consider the usual sections into which hospital annual reports are customarily divided. These are either departmental units (Department of Medicine, Department of Surgery, Department of Pediatrics, etc.) or program units (Out-Patient Services, Research, Staff Training, Management, etc.).

If your headlines do not tell your story, a lot of readers will never know what your report was trying to say.

Compare the reader interest of these conventional headings with these, from the Jefferson Medical College and Medical Center, Philadelphia: *Front Line for Medical Education* (this described the out-patient clinic); *The Constant Search for Medical Truth* (this discussed research activities); *Medicine's Battle for Human Renewal* (an account of the rehabilitation services); *The Education That Never Stops* (reporting on post-graduate courses for practising physicians).

Even if the formal departmental or program titles had been retained, and these phrases had been cast as subheads, they would have served to capture the interest of report-skimmers.

A variation of this approach is to employ action headlines, rather than phrases, either as main headings or as subheads. To demonstrate how this treatment might work, here are some headings taken from the actual report of a mental health association; lined up next to them are some subheads that might have added depth and reader interest.

Actual Heading	Possible Subhead
Research	More than $1 Million Invested in Mental Illness Studies
Professional Education and Training	Clergy Is Newest Group to Seek Training In Mental Health Techniques
Hospital Care	Institutional Population Continues Drop, But Staff Shortages Block Faster Progress
Aftercare and Rehabilitation	Ingenious New Programs Help Returning Patients Adjust to Community Life
Childhood Mental Illness	Every Tenth School Age Child Found In Need of Psychiatric Attention

Typography

Technological advances in printing and typography are so rapid, it takes a specialist to keep up with them. The many new type faces (including handsome phototypes) now available offer a tremendously wide choice.

If you are not using the services of a professional designer, your best bet is to confer with your printer over selection of type faces and sizes and arrangement of pages. Apart from giving you the benefit of up-to-date knowledge, the printer will keep you from specifying type faces not in stock (which would cost you money) and may also suggest machine-type or phototype alternatives to the more expensive hand-type faces you may have unknowingly selected.

The classic principles of layout have also undergone radical change. There is a departure from the traditional squared-off symmetry. Ragged-edge lines are used in place of justified type lines. Column depths are staggered. Photographs do not stay within the margins but "bleed" off the edge of the page. The aim of these and comparable devices is to inject the printed page with an air of vitality and freshness.

Not all of the old rules have been discarded, however. Ten-point type is still considered the minimum size for legibility, and even this needs at least one point of leading to provide "air" between the lines. Thirty picas (five inches) is still regarded as the maximum width for a comfortable reading line in average-size type. Short paragraphs, frequent subheads and other methods of breaking up solid blocks of copy are still considered desirable ways of introducing the indispensable element of white space. Other common typographic tricks to provide a visual change of pace are printing sections of the text in a different size or face of type, in italics or bold-face or color, or using color tints over or under segments of text. Some reports are printed on two or more different colors and textures of paper. Often this is done to distinguish between separate sections of the report, but sometimes sheer variety is the motivating factor.

A caution suggested earlier is worth repeating. All typographic tricks should be used sparingly and with particular regard to their effect on the text. If aesthetic considerations dictate a color blob at the bottom of page 7, and the paragraph thus spotlighted is not as worthy of emphasis as a paragraph at the top of the page, either the design or the narrative sequence will have to be changed. Understandably, readers expect any differentiated section of the report to be important. If you deceive them once about this, they may ignore other highlighted passages.

Think twice, also, before allowing design to outweigh reader convenience. For example, an increasingly common practice in annual reports and other types of brochures is the omission of page numbers. This may contribute to the avant-garde look of your report—but is it worth it when the reader who wants to make a note of something in the report can't find a page number to refer to?

Budget-Stretchers

By now you may be thinking, "Designers, color blocks, fancy illustrations . . . those are all very well for

the big-time organizations, but what about those of us who have only a tiny amount of money to spend on an annual report?" Unfortunately no magic formula will cause this problem to vanish. However, there are a number of ways in which ingenuity can substitute for cash.

To begin with, the strength and clarity of your theme and your writing style are unrelated to the presence or absence of money. In terms of those vital elements, the poorest of agencies are on an even footing with everyone else. Their area of disadvantage concerns the physical appearance of the annual report. Here is where such budget-stretching devices as the following can help.

Be Your Own Compositor. A major expense in producing a printed annual report is the cost of typesetting. But your text can be attractively "set" on an office typewriter, particularly with the variety of type faces now available on electric typewriters. In addition to the traditional choice of size offered by pica and elite, you can now select from among sans serif, italic, condensed and extended type styles. Some electric typewriters come with interchangeable fonts by means of which a single machine can prepare copy in several different type faces. If your organization does not own one of these versatile electrics, one can be rented at nominal cost for the period needed.

Even if you are limited to a standard manual typewriter, tasteful arrangement and spacing can yield layouts with eye appeal. Pleasing designs result from the use of indented material, off-center placement of blocks of copy, headings used in side margins or fitted into side pockets cut into the body of the text.

Inexpensive Production Methods. While mimeographing has been the standard process for low-budget production, the steadily decreasing cost of reproductions made by photo-copying machines now offers an alternative. With access to a copying machine, you also have an additional method of lending distinction to a typewritten manuscript. Do-it-yourself lettering kits enable you to compose headings and subheads on strips of paper to be pasted into place on the master copy of the manuscript. The kits offer a variety of display types and sizes. With a little practice, professional-looking work emerges.

You can achieve a two-color effect for a one-color price by using colored ink on colored stock.

The Touch of Color. Dressing up the cover of a mimeographed or photo-copied report remains a problem, although the latter process provides some scope for design and even illustration. Many agencies spend a little money to have just the report cover printed. Failing this, the least that can be done is to distinguish the cover from the inside by using colored paper. For that matter, the text itself can be run off on almost any light shade of colored paper, with the paper selected for the cover either a harmonizing shade or a contrasting one.

If your report is to be printed in a single color, don't overlook the fact that you are not limited to black ink on white paper. Colored ink is attractive on white paper; you can go further and achieve a two-color effect for a one-color price by using colored ink on colored stock. Make sure, however, that there is enough contrast between the two for legibility.

Self-Mailers Save Money. Another budget-stretcher for either printed or office-produced reports is to design them as self-mailers, thus eliminating the cost of envelopes.

Borrow Ideas from Others. Get your name on the mailing lists of organizations and companies that send their annual reports to interested persons. Keep the reports that most appeal to you. Working out your own adaptation of an idea suggested by the contents of your file may turn out to be the biggest budget-stretcher of all.

The Finished Product

You have now planned, written, designed and produced your annual report. You have proofread the text, checked the photo captions, approved the layouts, okayed the page proofs. Your report is on the press. In your organization's mail room, the stacks of envelopes or labels prepared from your pruned and updated lists are ready and waiting.

What you must now think about, if you haven't already done so, is how to get the maximum mileage out of what you have produced. Not even the best of products can be successfully marketed without merchandising. The foundation of your merchandising program is, of course, the carefully developed distribution plan. What structure will you build on that foundation?

Examine your annual report for news value. Do your service statistics or surveys of need show trends of community-wide significance? Does the report reveal the results of a research project, the progress of a pilot program, a new approach to solution of a difficult social problem? Does it announce a change of policy that will have more than routine impact on the community? Does it voice a strong viewpoint on a controversial issue? Does it contain a call for action by the mayor or the legislature or by concerned citizens?

You will get a better response if the press gets your story before your annual report is in general circulation.

Any such elements are legitimate newsmakers. Depending on the importance of the news, you may want to call a press conference, issue a news release, or make personal calls on your local media.

Bear in mind, however, the question of proper timing. You will get a better response if the press gets your story *before* your annual report is in general circulation. To execute this strategy, you can probably arrange to receive a few advance copies of the report from the printer. They can be unbound if need be; even page proofs will do in a pinch.

If your annual report is not a valid source of news as such, what about feature treatment? The report's description of your after-school activities for handicapped children . . . your nutrition clinic for welfare mothers . . . your program of special adoptions: stories like these may very well arouse the interest of a feature editor, a "lifestyle" writer, a radio commentator, the producer of a television interview program, etc.

While you are thinking in terms of news coverage, incidentally, don't overlook your own house organ. A story on the report, summarizing its highlights, belongs in your own agency publication, even though there is probably duplication in the mailing lists. Those report recipients who have not taken the time to read the report may do so after seeing the house organ story, while those who have already read it may derive some additional interpretation from a recapitulation. Should your house organ reach people not on the annual report list, inclusion of an offer to send the report on request will probably stimulate interest.

Should the reports you are mailing out be accompanied by a letter? Practices vary on this point. If you do plan a covering note of some sort, it should be ready along with your envelopes and labels. What are the possibilities of personalizing it? It is probably not feasible to have individual letters written to the bulk of the recipients, but what about some added post-scripts for selected people or groups?

The executive of your agency might want to scribble a P.S. to professional colleagues, calling attention to the report's description of an experimental program's results. Your president might want board members of a cooperating organization to notice the report's appreciative reference to their agency's help. Your treasurer might flag the financial statement for members of the united fund's budget committee. The staff member who asked you to put a particular guidance counselor on the mailing list might write a P.S. that says something like "You were so helpful in our work with Joey, I thought you'd like to learn more about our total program."

In distributing the report to your organization's staff (and by the way, every single employee should receive a copy), you might encourage them to request copies for mailing to those of their professional contacts who are not already on the master list, and perhaps to some of their personal friends as well.

Your board members and volunteers should also be offered extra copies. You can be certain of reader interest on the part of anyone who receives this kind of covering note from one of your trustees: "Remember the night I couldn't make your dinner party because of a committee meeting? Read page 12 and you'll realize why that meeting was so important."

You, of course, will want to send notes to all who helped in the preparation of the report: the designer, the editorial writer who gave you permission to quote from one of his columns, the photographers whose pictures illustrate the report, etc.

How far you can go with this kind of personalized distribution depends, among other things, on how many extra copies of the report have been produced. As noted, it is a wise policy to allow a generous margin for afterthoughts.

Feedback

Now and again, an organization decides to evaluate the extent to which its annual report has been an effective medium of communication.

One technique for soliciting this kind of feedback is to enclose a return postcard in a random sampling of the reports—every 10th name, for instance—asking the recipient to check off replies to such questions as: Did you read this report? Did it leave you with unanswered questions? What are they? Would you like to continue receiving these reports in future? Any comments?

The same sorts of questions could be sent in a separate mailing, a week or two later, to a similarly scattered sample. Still another alternative is to query specially selected names, such as those newly added to your mailing list, those of people who have not shown an active interest in your organization in recent years, or any other group of particular interest to you.

If you are contemplating a survey, be prepared for a disappointing response. One agency that tried something of this sort the year they issued a sharply abbreviated report revealed that hardly anyone had missed the omitted data. It does not necessarily follow, however, that inclusion of the excised material would have been superfluous. Not knowing what had been left out, the respondents were hardly in a position to judge whether or not it would have been welcome.

For more detailed guidance on how to get useful feedback you might want to read *Measuring Potential and Evaluating Results*, by Alice Norton. It is available for $2.50 from the National Communication Council for Human Services, Public Relations Society of America, 845 Third Avenue, New York, NY 10022.

One other merchandising aspect worth weighing is whether your report can serve as a multi-purpose vehicle. Is there, for example, another piece of literature that can be tied in with the annual report for all or part of your mailing list? Hospitals have employed this "piggy-back" approach to send out a directory of services to the doctors and nurses on their mailing list. Child care agencies have used it for distribution of a manual to their foster parents. Other types of organizations have combined the mailing of the annual report with distribution of a basic informational leaflet.

The usual method of handling an enclosure is to put it into a pocket flap on the inside of the annual report's back cover. The pocket device can also be used in other ways. If, for instance, the report appears shortly before the annual meeting at which new officers and directors are elected, the consequence is that the board list printed in the report is outdated for most of the year that the report is in circulation. The way around this is to print the list on a loose sheet, in sufficient quantity to take care of the initial distribution, and to tuck the sheet into the pocket. After the annual meeting, a replacement sheet containing the new list goes into the pocket. The report is now up to date for the remainder of its life span.

Still another possibility to consider is whether your report can be sectionalized so that part of it can later be lifted out for use in a separate piece of literature. If, for instance, the report contains some well-illustrated and persuasively written pages dealing with a new program or facility you would like more people to use, perhaps you can use those pages as part of a promotional leaflet. Of course, the report can yield this form of additional mileage only if you design its layout with this secondary end use in view. It is advisable to discuss any such plan with your printer who, in addition to saving the plates or the negatives, may be able to suggest some useful, money-saving short cuts.

The Creative Process

A good annual report can give readers a sense of your organization's past, present and future. The process of preparing an annual report can also do something special for the writer.

For most busy people, the pressure of meeting today's problems tends to obliterate the memory of yesterday's accomplishments. In the writing of an annual report, the necessity to climb to higher ground, so to speak, in order to take in the span of an entire year's work, produces a refreshing sense of perspective on the organization's basic goals and directions. The distance makes it easier to see the pattern formed by the bits and pieces of day-to-day activities. More often than not, their sum total is astonishing.

To the annual report writer, the gratification that comes from adding up a year's achievement is both reward and stimulant. If that sense of stimulation can wing from the printed page into the mind and heart of the reader, the report will fulfill its purpose.

On the question of the annual report writer: *Whoever that person is, there should be only one.* Committees have their uses, but creative writing is not among them. The experienced eye needs only an instant to recognize a group-written document. Not only does it manifest lack of internal unity: the differing styles make for difficult reading. The narrative moves by leaps and starts instead of progressing at a smooth and steady pace.

The fact that there is only one writer does not mean, of course, that there is only one thinker. On the contrary, the more people who put their minds on the content of the annual report, the richer will be the finished product. We have already stressed the desirability of wide discussion and agreement on the theme and general scope of the proposed report. Once such consensus has been reached, however, the decision as to what fits in and what is extraneous to the theme must be left to the judgment of the person charged with the creative responsibility. Any ideas, excellent though they may be, that distract from the theme must be put aside for another occasion.

It is not the intention here to suggest that the writer of the report be its sole arbiter. Technical and factual clearance will have to be solicited from department heads, staff specialists or others who have an intimate knowledge of the programs described in the report. The role of such colleagues, however, is to spot the places where change is needed and to tell the writer about them, not to make the changes themselves.

To supply an objective, overall view, there should be one other person—in some agencies it may be the administrator, in others, the board president or the chairman of the public relations committee—who assumes responsibility for final approval of the report. Here again, the writer should be the person to make whatever corrections may be suggested; changes made by another hand are apt to destroy homogeneity of style.

Like all other creative jobs, writing an annual report is hard work. Approached with the proper spirit and—hopefully—helped by the suggestions in the foregoing pages, it can nevertheless turn into a satisfying and invigorating experience.

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Reprints of this article are available:
1-10 copies, $1.70 each; 11-25 copies, $1.50 each; 26-100 copies, $1.40 each; 101 copies or more, $1.25 each.
To order, fill out a Reprint Order Card in this magazine.

THIS ARTICLE IS PART OF THE GRANTSMANSHIP
CENTER REPRINT SERIES.

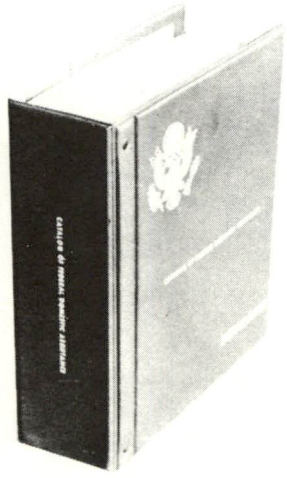
Basic Grantsmanship Library
Fifth Edition

About four years ago, the NEWS published a short article called "The $87.90 Basic Library." This became one of the most widely reprinted articles we've ever published. With the number of publications about fund raising and grantsmanship soaring, we thought a list of basic books and periodicals was essential.

Our original intent was to keep the cost of the basic library under $100, within the reach of most organizations. But like the 15-cent McDonald's burger and the 35-cent gallon of gas, our $87.90 Basic Library has fallen prey to inflation. Although some of the original publications continue to rise in price, our emphasis is still on economy. All the publications in this edition can be purchased for less than $300, but an annual subscription to one good Washington newsletter could boost this figure considerably.

This is not intended as a comprehensive list. If funds are available, this library for the budget-minded could be augmented with other useful publications. Most organizations should also have a few good books and periodicals that relate specifically to their program areas.

Catalog of Federal Domestic Assistance



Nearly a thousand pages of detailed information on federal domestic assistance programs, including who's eligible, how to apply and deadlines can be found in the Catalog. It consists of a basic loose-leaf manual with changes and additions sent to you during the year.

The delay in receiving your Catalog is very long, so place your order early or have a friend in Washington buy one for you at the main G.P.O. bookstore. It is published in May each year, but is not available in bookstores until August.

In addition to the Catalog, a quick-reference computerized guide to federal grants is available. The three-year old Federal Assistance Program Retrieval System (FAPRS) includes all the information about federal programs found in the Catalog. To use the system, you must locate a computer terminal connected to the FAPRS data base. The price of a search varies with who does it and how much information you want.

Keep in mind that the system is far from perfect. All the problems in the Catalog (i.e. inadequate deadline and contact information) have been bequeathed to the computer. Moreover, when dealing with companies selling access to FAPRS, be wary. A few say their funding searches are unique and are charging far more than others for essentially the same service.

Order the Catalog from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402 (Price changes each year; 1978 Catalog is $20).

For an information packet on FAPRS, which includes a list of access points in various cities, contact the Federal Program Information Branch, Office of Management and Budget, 726 Jackson Place, N.W., Washington, DC 20503.

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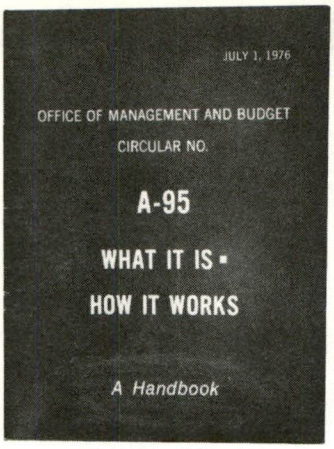
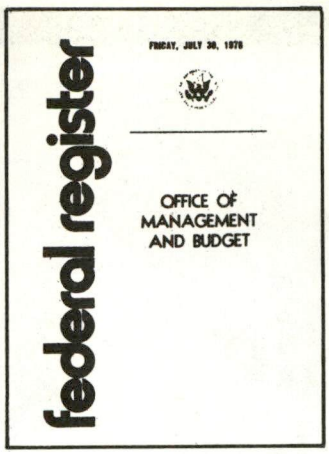
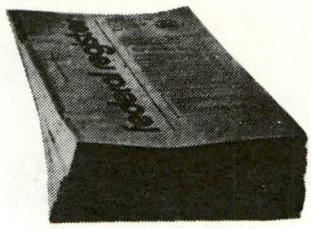
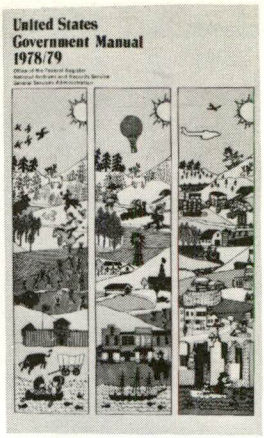








Circular A-95 What It Is, How It Works

If you have submitted a proposal to a federal funding source lately, you probably have already been introduced to the clearinghouse procedures outlined in Circular A-95. This companion handbook describes, clearly and concisely, the concept behind A-95 clearinghouses and thoroughly explains the PNRS—Project Notification and Review System.

Order the Circular and the A-95 Handbook from the Intergovernmental Division, Office of Management and Budget, Executive Office Building, Washington, DC 20503 (free).

Management Circulars A-102, A-110, A-111 and 74-4

Not very catchy titles, but these documents set the basic rules for administering federal grants that all federal agencies are supposed to follow. Circular A-102 (formerly 74-7), which explains administrative requirements for grants, and circular 74-4, which describes direct and indirect costs, apply to grants to state and local governments. Circular A-110 applies to grants to private nonprofit organizations. These circulars also include sections on grants payments, matching shares, financial management and reporting, use of income generated by a grant, purchasing and bidding, revising budgets, closing out a grant—and more. Circular A-111 deals with jointly-funded assistance to state and local governments and nonprofit groups.

Order from the Publications Office, Office of Management and Budget, 726 Jackson Place, N.W., Washington, DC 20503 (free).

Federal Register

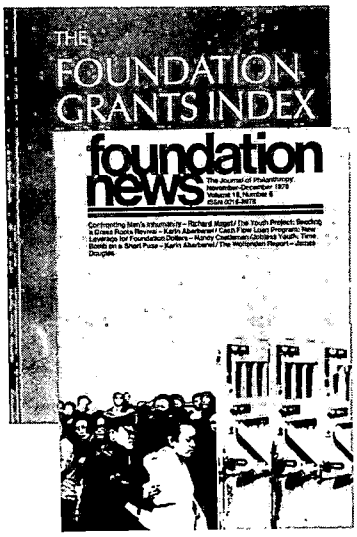
At $50, it's still a bargain—the best way to keep current on, and even ahead of, what's happening in federal funding. All rules and regulations, proposed and final, must appear in the Register. Included are legal notices issued by federal agencies, presidential proclamations, executive orders and other documents of public interest. The Register is published every weekday; Wednesday issues include a "Reminders" section containing texts of documents relating to federal grants programs and deadlines for commenting back to any agency that proposes guidelines not beneficial to your constituency. It is available at most major public or college libraries.

Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402 ($50 per year, $5 per month).

United States Government Manual

This paperback is the official handbook of the federal government. Every department, agency, commission and quasi-governmental organization is described, with agency addresses, telephone numbers and the names of key personnel listed. You'll also find a reprint of the Freedom of Information Act and the Constitution. The Manual is useful in identifying names and additional addresses for many of the programs described in the Catalog.

Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402; or check with your Federal Bookstore, which often carries this publication ($6.50).



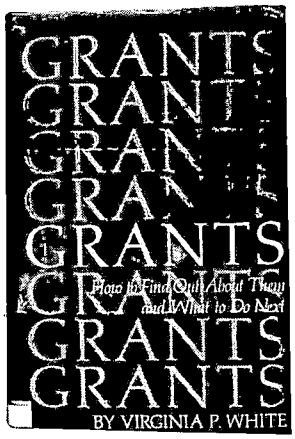
Foundation News and Foundation Grants Index, 1978

The News, the bimonthly magazine of the foundation world, is a forum where foundation people talk to each other. The center section of each issue, the Foundation Grants Index, is worth the price of the magazine. While directed primarily to grant makers, grant seekers can learn much by listening in.

The annual Index is a compilation of the grants published in the NEWS through the previous year. The most recent edition lists over 15,000 grants over $5,000, complete with amount and description of grant, name and location of recipient and the grant identification number. (Note: Don't throw away your old Grants Index. Past editions round out the picture of a foundation and may point to trends.

Subscribe to the Foundation News at 828 L St., N.W., Washington, DC 20036 ($20).

Order the Index from Columbia University Press, 136 S. Broadway, Irvington, NY 10533 ($20).



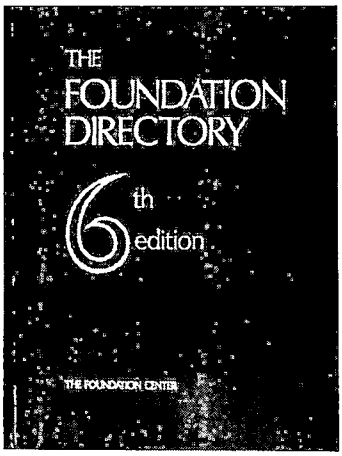
Grants: How to Find Out About Them and What To Do Next

Legions of books purport to explain how to obtain grants. Most, however, are filled with trivia and misstatements while devoid of solid information. This book is a notable exception. Not only does it discuss foundation and federal grants in depth; it is written so well that it qualifies as armchair reading.

Author Virginia P. White reviews what is happening currently with foundation and federal government grant programs and provides a thoughtful historical perspective. Also included is a three-part section on the grant-making process.

This is an excellent introduction to grants-manship, but it can also be useful to people with years of experience.

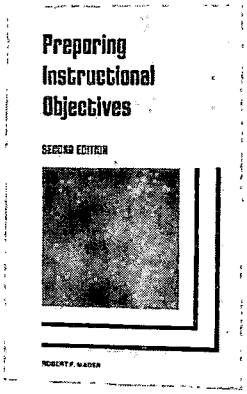
Order from Plenum Press, 227 West 17th St., New York, NY 10011 ($19.50).



Foundation Directory, Edition 6

The Directory is the basic resource for information about the country's major foundations. It lists 2,818 foundations with assets of at least $1 million or annual grants of $100,000 or more. The data is arranged by state, fields of interest and alphabet. Entries include address, phone number, donor, IRS Employer Identification Number (EIN) and date and place of incorporation. The sixth edition features "grant application information" if available. This means that you can learn whether to initially approach a foundation by phone call, brief letter or full proposal. A new edition will be published in the fall of 1979.

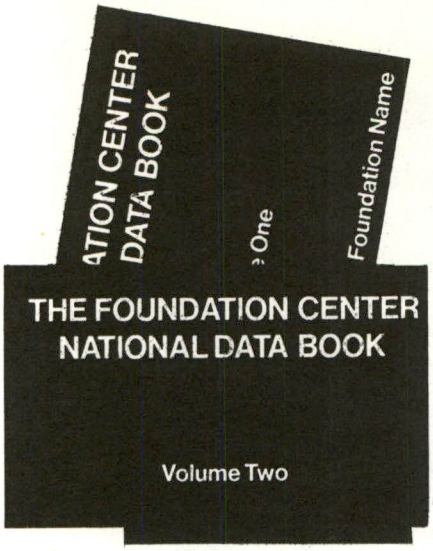
Published by the Foundation Center, the Directory can be ordered only from Columbia University Press, 136 S. Broadway, Irvington, NY 10533 ($35 plus $1 postage and handling).



Preparing Instructional Objectives

Having trouble deciding what an objective is? For over ten years, Robert F. Mager's paperback has been helping people separate goals, objectives and methods from fluff, dreams and crossed fingers. You can read the entire book in an hour, but you may find that the third and fourth readings yield even more benefit.

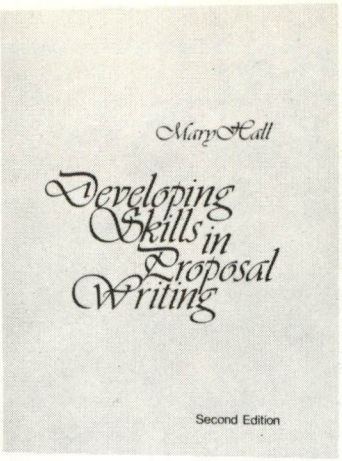
Order from Fearon Publishers, 6 Davis Drive, Belmont, CA 94002 ($4.25).



The Foundation Center National Data Book, Volume One and Volume Two

This two-volume set supplements the Foundation Directory since it provides material on thousands of smaller foundations not listed in the Directory. Volume One covers foundations alphabetically, including data on grants paid, gifts received and principal officer. Volume Two, which features foundations listed by state (and within each state from the highest to the lowest grants amounts), serves as an index to the 990-Annual Reports filed in state attorney-generals' offices or in the Foundation Center Regional Collections. Each entry lists full name of foundation and city and state in which it is located.

The National Data book is sold only as a two-volume set. Order from the Foundation Center, 888 Seventh Ave., New York, NY 10019 ($40).



Developing Skills in Proposal Writing

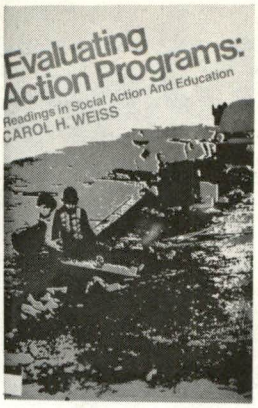
The new expanded edition of Mary Hall's benchmark book on proposal writing.

Although there is some thoughtful information on what an agency should do before the proposal is written, the book's strength still rests on the step-by-step proposal format description. Especially valuable is a chapter on writing objectives, with examples of behavioral, product, performance, process and research types.

New to this edition is a section on how to gather data for a needs assessment, with brief discussions of some of the computer data services available.

Hall, now general manager of the Weyerhaeuser Company Foundation, both informs and entertains. From tiny tips on how to design a Gantt or PERT chart to the sweeping understanding of why we write proposals in the first place, Hall's lively style colors every page.

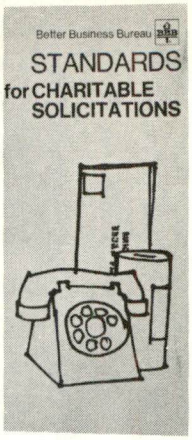
The book is published by Continuing Education Publications, 1633 S.W. Park, Portland, OR 97207 ($12.50).



Evaluating Action Programs

This book is a series of essays about evaluation compiled and introduced by Carol H. Weiss. It is one of the best books available about many aspects of evaluation, an essential but often ignored part of social programs. The book's goal is to help people conceptualize and understand the purposes of evaluation and the methods by which it obtains information and generates conclusions.

Evaluating Action Programs is available from Allyn & Bacon, Inc., 470 Atlantic Ave., Boston, MA 02210 ($7.95).



Standards of Charitable Solicitation

A booklet that you, your staff and volunteer fund raisers should know by heart. Helen O'Rourke spent years compiling this easily understood guide to nonprofit fund-raising methods, advertising and public disclosure of financial operations.

Address requests to Helen O'Rourke, Director of Philanthropic Advisory Services, Council of Better Business Bureaus, Inc., 1150 17th St., N.W., Washington, DC 20036 ($1.00).

Basic Grantsmanship Center NEWS/Reprints

Many practical articles and guides from the *NEWS* are available as reprints. These cover subjects in the areas of government funding, corporate funding, management, foundations and fundraising. They include:

Researching Foundations: How to Identify Those that May Support Your Organization—Parts I and II ($1.55 each).

How to Develop a Fund-Raising Strategy and Plan Effective Programs ($1.25).

How to Use the Catalog of Federal Domestic Assistance ($1.25).

Guide to the New Grant Administration Standards for Nonprofits (95 cents).

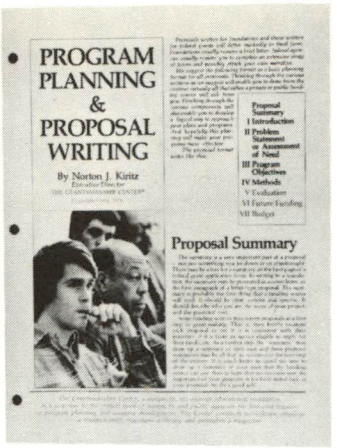
Guide to PR for Nonprofits ($1.25).

How Foundations Review Proposals & Make Grants ($1.25).

Personnel Policies for Your Agency; Get Them in Writing Now ($1.10).

Reduced rates are available for orders of more than 10 copies of any one reprint.

Order from The Grantsmanship Center, 1031 S. Grand Ave., Los Angeles, CA 90015.

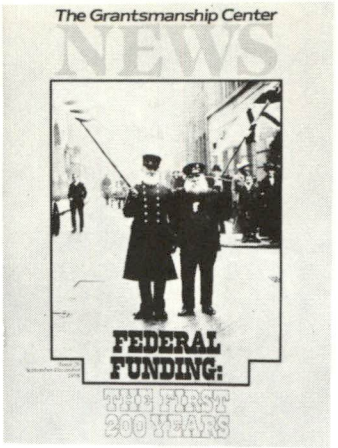


Program Planning & Proposal Writing

The most widely used format in the country, Program Planning & Proposal Writing is now available in introductory and expanded versions. Both booklets discuss how to develop credibility in the proposal introduction, assess needs, conceptualize and state objectives, determine effective methods to realize the objectives, design an evaluation, establish a budget, plan for future funding, and write a good proposal summary. The original 16-page version (95 cents) lays down an essential foundation. The new expanded 48-page version ($2.45) examines all the elements in greater depth and analyzes numerous examples based on actual proposals.

Reduced rates are available for orders of over 10 copies of either version.

Order from The Grantsmanship Center, 1031 South Grand Ave., Los Angeles, CA 90015.



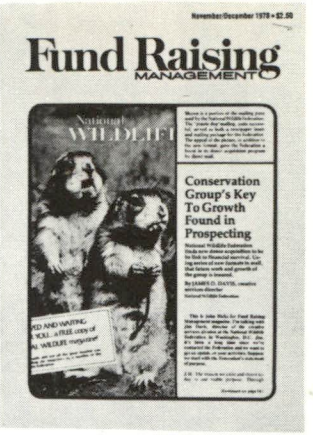
Grantsmanship Center NEWS

The *NEWS* is the only magazine that covers both public and private funding in depth. Its basic how-to articles are step-by-step guides to obtaining grants, writing proposals, planning programs, managing nonprofit organizations and developing resources. Case histories document successes and some instructive failures. Interviews with government and foundation officials tell how funding sources think, how they review proposals and what they really want.

Regular features include News & Comment from Washington, Deadlines, Federal Regulations Summary, New Publications and Funding Notes.

The NEWS' readable presentation of useful information prompted a top IRS official to call it "The Whole Earth Catalog of Funding".

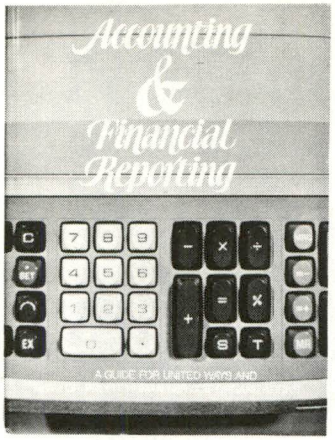
Published six times a year by The Grantsmanship Center, 1031 S. Grand Ave., Los Angeles, CA 90015 ($15).

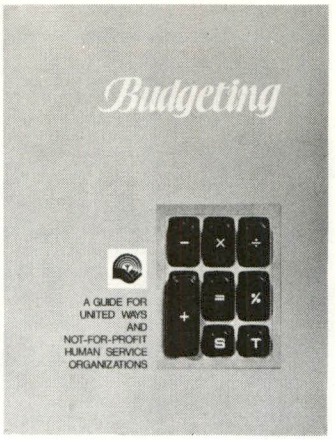


Fund Raising Management

At only $12 a year, this is still a good buy. Here you will find information about hard-core fund raising, such as computerized mailing lists, capital campaigns and whether you should use a window envelope for your direct mail piece. One of the few commercial publications in the fund-raising field, this magazine is loaded with ads about direct mail lists, volunteer and donor recognition items, conferences and more.

Published every other month by Hoke Communications, 224 Seventh St., Garden City, Long Island, NY 11530 ($12).





Accounting and Financial Reporting and Budgeting

Published by the United Way in 1974, Accounting and Financial Reporting is designed to provide an easy-to-understand introduction of accounting for member agencies. It's easy to understand for non-members, too.

The book adheres to all American Institute of Certified Public Accountants (AICPA) standards and hits most of the key accounting questions asked of nonprofit organizations.

Accounting concepts such as "fund basis," "accrual basis," "double-entry basis" and "functional basis" are described, as well as ways to handle land, buildings and depreciation, contributions, pledges and donated services.

Of particular interest is the "Chart of Accounts" section, which provides a workable code of accounting activities. Each section is supported by illustrative material at the back of the book, including a sample ledger, sample receipt vouchers, even a sample employee time card.

Another important aspect of fiscal accountability is covered in the companion volume, Budgeting, which provides a general introduction to the context and mechanics of preparing budgets for nonprofit human service organizations. Agencies should find the numerous examples of budget worksheets and forms most helpful in developing responsible financial management techniques.

Order both books from the United Way of America, 801 N. Fairfax St., Alexandria, VA 22314 ($15 and $10, respectively).

How to Order Publications from the Government Printing Office

What information should be included on each order?

Include (1) order date, (2) full title (including year or volume number, if applicable) of the publication, (3) GPO Catalog or Stock Numbers, (4) price per copy, and (5) complete address (including country, if foreign) to which items are to be mailed. (Use a separate order sheet for each title requested.)

Must payment be sent with the order?

Yes—remittance in the form of check or money order payable to the Superintendent of Documents, or Special Depositor Coupons (see below), must accompany the order. The only exceptions are if (1) you are charging the order to your prepaid deposit account (see below), or (2) you are a U.S. government purchaser submitting a purchase order.

Where should orders be sent?

Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

May orders be sent directly to the agency that has produced the publication?

Sometimes agencies will provide single copies of publications free. However, requesting a publication from the agency may cause a delay if the agency requires you to process your order through GPO.

When should orders be placed for periodicals?

For *new* (non-renewal) orders, send the order three months prior to the time you wish your subscription to begin. For *renewal* orders, wait until you receive the GPO computerized renewal card which is furnished three months prior to expiration. If it is necessary to order without the computer card, send the mailing label from a recent issue with the order.

Are annual cumulations sold as part of subscriptions?

No—all annuals must be ordered separately after a price has been announced. GPO does not maintain standing orders.

Will orders be accepted by GPO prior to publication?

Yes—but only if price and order number have been announced.

May subscription orders (for periodicals) and non-subscription orders (for annuals and other one-time publications) be sent together?

Yes—as long as payment in one sum is enclosed, you may send a number of orders together. However, use a separate piece of paper—complete with ordering information and mailing address—for each title.

Are discounts available?

Yes—anyone may receive a 25 per cent discount for orders of 100 copies or more of a single title mailed to one address. A *book dealer,* buying for the purpose of resale, can also receive this 25 per cent discount *regardless of quantity* if shipment is made to the book dealer's normal place of business.

What documentation of orders should be kept?

You should keep photocopies of any orders, checks, etc. sent to GPO.

About how long should I expect to wait for my publications?

For subscription items, about 90 days. For non-subscription items, about 10 weeks (12 to 16 weeks for foreign shipments).

What about back issues?

Back issues are often available from GPO at the individual copy rate (GPO will *not* send back issues with your subscription order, since subscriptions are always begun with the *next* issue published, without reference to the time period you might have indicated on your order).

GPO Deposit Accounts

The payment process is generally simplified if the customer has a prepaid deposit account with the Superintendent of Documents.

You may establish a prepaid deposit account by sending a minimum payment of $50 in the form of a check or money order payable to the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. *Payments on deposit accounts should be sent separately from orders for publications.* The exact name and address of the individual or firm in whose name the account is to be carried must be clearly stated.

When an account has been opened, GPO will furnish supply of special depositor order blanks and assign an account number. This number must be placed on all future orders.

EXAMPLES OF CORRECT ORDERS

Order date: March 15, 1979

To: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Please send:

National Library of Medicine Classification, 1978 Edition.

2 copies @ $9.50 per copy
S/N017-052-00193-1

Total enclosed (check) $19.00

Mail copies to: LIBRARY
CENTER FOR HEALTH SCIENCES
1200 MAPLE AVENUE
TOWN, STATE 00000

Order date: March 15, 1979

To: Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Please enter a year's subscription to INDEX MEDICUS (IM) to begin *July 1979*. This is a new (non-renewal) order.

Payment enclosed for 12 monthly issues (check): $150.00

Send copies to: LIBRARY
CENTER FOR HEALTH SERVICES
1200 MAPLE AVE
TOWN, STATE 00000

This explanation of how to order government documents is adapted from an article in the National Library of Medicine News.

Sources of Information About Federal Programs

Obtaining information about federal assistance programs is essential for anyone seeking federal funding, but it isn't easy. The Catalog of Federal Domestic Assistance is only the starting point since information in the Catalog is often incomplete and dated.

A valuable daily source of data about federal government activity is the **Commerce Business Daily.** The Daily lists all potential contracts federal agencies plan to initiate, contract awards that exceed $25,000, upcoming sales of government surplus property and most Requests for Proposals (RFPs). Unfortunately, it is more expensive than the Federal Register—$80 per year for second class mail rate and $105 for first class. Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

You also need to keep up with legislation as it is being debated in Congress. The Catalog doesn't inform you about a new program or a major program change, and yet often the best time to apply for funding is shortly after a program is implemented. Major newspapers can help some, but you need much more. The weekly **Congressional Quarterly** is one valuable resource, albeit prohibitively expensive ($558 a year for nonprofits; however, rates for students, academic institutions and government agencies are considerably lower). Contact Congressional Quarterly, Inc., 1414 22nd St., N.W., Washington, DC 20037.

The **National Journal** is another weekly, but it, too, is quite costly ($345 a year). Contact the Journal at 1730 M St., N.W., Washington, DC 20036.

If you are involved in government funding, a good newsletter that comprehensively covers your field is essential. To find the best one, talk to people in other organizations and request sample copies from publishers. Most of these newsletters are expensive, but some of them are well worth it.

Government Information Service's **Local Government Funding Report** is excellent. It covers developments in a number of program areas and usually reports in depth. Although oriented toward the concerns of local governments, it is still useful to people in private nonprofit organizations, especially those involved in more than one program area. **Local Government Funding Report** can be ordered for $96 a year from Government Information Services, 752 National Press Building, N.W., Washington, DC 20045.

Another source of tips and trends is Capitol Publications, which publishes 27 different newsletters on a daily, weekly, biweekly or monthly basis. Capitol specializes in education, health, social welfare and energy. Two of Capitol's best are **Education Daily** ($275 a year) which covers legislation, regulations, funding, policy and the agencies, and **Federal Grants and Contracts Weekly** ($114 a year) which features lists of federal grants for the education community and a calendar of upcoming preproposal conferences. Order price lists and sample copies of Capitol's newsletters from Capitol Publications, Inc., Suite G-12, 2430 Pennsylvania Ave., N.W., Washington, DC 20037.

In addition to a specialized newsletter, you may want to invest in a newsletter that covers a number of program areas. An exceptional one, loaded with information, is the Lutheran Resources Commission's **Newsbriefs** for $50 a year. Order from the LRC, 1346 Connecticut Ave., N.W., Washington, DC 20036.

Several publications regularly report on legislation involving many domestic social programs. **The National Association of Counties News** is one. The Association publishes twice yearly a valuable summary of information about the present status of a large number of categorical grant programs. The **News** costs $20 to members of the Association and $35 to non-members. Order from NAC, 1735 New York Ave., N.W., Suite 500, Washington, DC 20006. The Center for Community Change's **Federal Programs Monitor** is another good source at $10 per year. Contact CCC, 1000 Wisconsin Ave., N.W., Washington, DC 20007.

The National Center for Community Action publishes a monthly journal covering topics relating to its constituency—community action and development agencies. It costs $18.50 per year for human service agencies and $55 for others. Contact the NCCA at 1328 New York Ave., N.W., Washington, DC 20005.

Many Congressional committees publish press releases and/or newsletters as well as committee reports concerning specific subjects, all of which can be helpful. You need to know which committees consider legislation relevant to your program areas. **The Congressional Directory** can give you addresses of the committees (and of legislators serving on them, who may be helpful if they have a particular interest in your program area or are from your geographic area). The Directory costs $6.50 for paperback edition and $8.50 for hardcover. Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

If you want to know the status of a specific House bill, you can call the House Information Service, LEGIS (202-225-1772). You should know the number of the bill, its title, the subject and the author. Copies of bills can be obtained free from the House Documents Room, Washington, DC 20515. Senate bills can be ordered free from the Senate Documents Room, Washington, DC 20510.

The Government Printing Office has various lists of available government publications, including lists of publications in particular subject areas (such as health, social services, etc.), a list issued monthly of **Selected U.S. Government Publications** (free) and the comprehensive **Monthly Catalog of U.S. Government Publications,** which lists all publications put out by federal agencies. The **Monthly Catalog** costs $45.00 per year. The problem with these lists, however, is that publications are usually not noted until months after they are issued. You can get a free brochure, "How to Keep in Touch With U.S. Government Publications," by writing the Superintendent of Documents. Also, **Federal Government — A Directory of Information Resources to the U.S.** lists publications of federal agencies ($4.25 from the Superintendent of Documents), but it is dated.

Most government publications can be found at Federal Depository Libraries, which are libraries located across the country that have been designated to receive such publications. A local librarian should be able to tell you where the nearest one is located.

Federal Bookstores

Many valuable government publications can be obtained at federal bookstores (though you can no longer purchase the Catalog or any other "subscription services" from the bookstores). It is a good idea to go through a federal bookstore sometime when you are in a city in which one is located to become familiar with some of the information available from the government. The Government Printing Office has over 25,000 publications.

When ordering publications directly from Washington, write the Superintendent of Documents, Government Printing Office, Washington, DC 20402.

Following is a list of federal bookstores.

Washington, D.C.: Main Bookstore, 710 N. Capitol St.; phone (202)275-2091. Commerce Deparment, 14th and E Sts., N.W.; phone (202)377-3527. HEW, 330 Independence Ave., S.W.; phone (202)472-7478. Pentagon Building, Main Concourse; phone (703)557-1821. State Department, 21st and C Sts., N.W.; phone (202)632-1437. USIA, 1776 Pennsylvania Ave., N.W.; phone (202)724-9928.

Atlanta, Ga.: Federal Bldg., 275 Peachtree St., N.E.; phone (404)221-6946.

Birmingham, Ala.: 9220 Parkway East—B, Roebuck Shopping City; phone (205)229-1056.

Boston, Mass.: John F. Kennedy Federal Bldg., Sudbury St.; phone (617)223-6071.

Chicago, Ill.: Everett McKinley Dirksen Bldg., 219 S. Dearborn St.; phone (312)353-5133.

Cleveland, Ohio: Federal Office Bldg., 1240 E. 9th St.; phone (216)522-4922.

Columbus, Ohio: Federal Office Bldg., 200 High St.; phone (614)469-6956.

Dallas, Tex.: Federal Bldg.-U.S. Courthouse, 1100 Commerce St.; phone (214)749-1541.

Denver, Colo.: Federal Bldg., 1961 Stout St.; phone (303)837-3964.

Detroit, Mich.: Patrick V. McNamara Federal Bldg., 477 Michigan Ave.; phone (313)226-7816.

Houston, Tex.: 45 College Center, 9319 Gulf Freeway; phone (713)226-5453.

Jacksonville, Fla.: Federal Bldg., 400 West Bay St.; phone (904)791-3801.

Kansas City, Mo.: Federal Office Bldg., 601 E. 12th St.; phone (316)374-2160.

Los Angeles, Calif.: Federal Office Bldg., 300 North Los Angeles St.; phone (213)688-5841.

Milwaukee, Wis.: Federal Bldg., 519 E. Wisconsin Ave.; phone (414)224-1304.

New York, N.Y.: 26 Federal Plaza; phone (212)264-3825.

Philadelphia, Pa.: Federal Office Bldg., 600 Arch St.; phone (215)597-0677.

Pueblo, Colo.: 720 North Main Majestic Bldg.; phone (303)544-3142.

San Francisco, Calif.: Federal Office Bldg., 450 Golden Gate Ave.; phone (415)556-6657.

Seattle, Wash.: Federal Office Bldg., 915 Second Ave.; phone (206)442-4270.

Reprints of this article are available:
1-10 copies, 95 cents each; 11-25 copies, 75 cents each; 26-100 copies, 65 cents each; 101 copies or more, 50 cents each.

THE BIG SEARCH

BY PHILICIA MALO

The UCLA Research Library is a large, unassuming modern structure of grey stone surrounded by trees and other university buildings. I had an avocado sandwich at the neighboring food establishment before entering the glass doors along with a hoard of undergraduates. I stopped at the information desk.

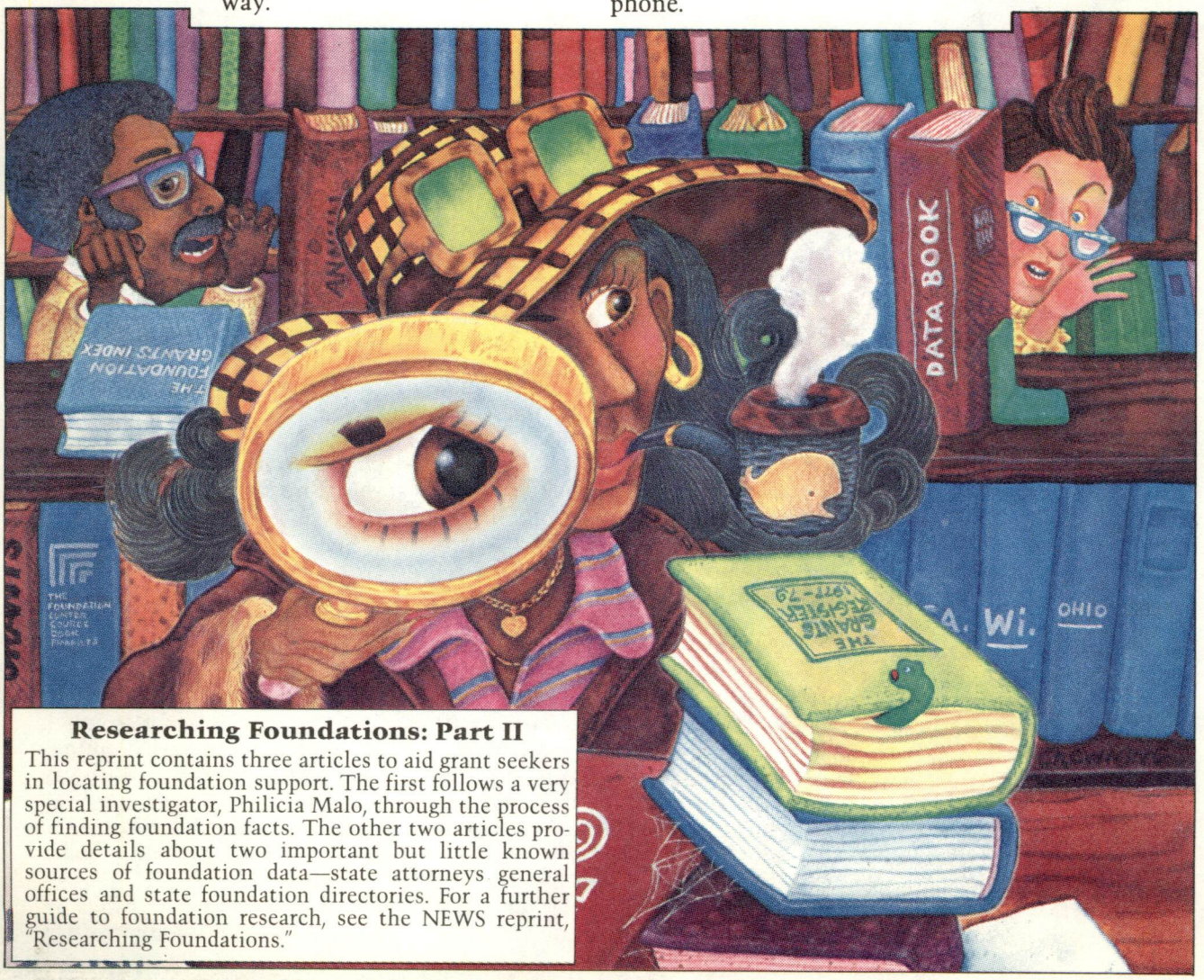
"Could you please direct me to the regional collection of the Foundation Center?" I asked the attractive, dark-haired clerk.

"To your left, in the corner," he answered eagerly, pointing the way.

"Thanks," I said, giving him my best Lauren Bacall smile in parting.

I was on assignment from the Anonprofit Center to research foundations. Though it's not my usual line of work, I had joined the board of the Center at the urging of my old friend, Neda Funz, the administrator. Anonprofit was doing good things in the community, and I thought I might give a hand.

I never thought that duty would call so soon. Barely a week after becoming a board member, Neda was on the other end of my phone.



Researching Foundations: Part II

This reprint contains three articles to aid grant seekers in locating foundation support. The first follows a very special investigator, Philicia Malo, through the process of finding foundation facts. The other two articles provide details about two important but little known sources of foundation data—state attorneys general offices and state foundation directories. For a further guide to foundation research, see the NEWS reprint, "Researching Foundations."

Reprinted from the October-December 1977 issue of The Grantsmanship Center News
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Without her trench coat, Philicia Malo is mild-mannered assistant editor Michele Kort.

"Philicia, we need foundation grants and we need them soon. There's too long a delay in applying for government grants, and we've pretty much tapped our private contributors for this year. We're looking for the bucks to build an addition to the Center and we'd also like to find seed money to carry out a new pilot project. Plus, we're hurting for endowment funds, which support our basic operational costs.

"I can't spare anyone on the staff right now, and we need someone to identify foundations which might support us, and then completely investigate each possible foundation source. Your background makes you a natural for this kind of job."

Oh sure, I thought to myself. I don't know a thing about foundations! But the shingle on my office does read "Private Detective."

I had to forego my usual rates, of course. Community service and all that. And I didn't have many clues. Neda had mumbled something about the regional collection at UCLA and had mailed me two booklets — the Grantsmanship Center's *Researching Foundations* and *About Foundations: How to Find the Facts You Need to Get a Grant*, from the Foundation Center.

I felt that reading them was a little like learning how to track a murderer by reading a Raymond Chandler novel, but read them I did. A little dry, but they did give me a clearer take on the situation.

First, I had to pick out those foundations that had shown interest in the type of programs Anonprofit was involved with and that funded groups in Los Angeles. Also, I would have to learn which foundations supported capital expenditures, which would fund projects and which might be approached for operational expenses.

After settling in at the UCLA library, I pondered where to begin. From the information in the booklets, I figured that the *Foundation Directory* was as good a place as any. It seemed that this Foundation Center publication was the "bible" for foundation researchers. Edition 6, just published [see p. 59], lists 2,818 foundations with assets of $1 million or more or grants of $100,000 and up. It tells where the foundation is located, its phone number, when it was incorporated, original donor(s), purposes and activities, financial data, board of directors, who to contact, its employer ID number and how to apply for a grant.

From eyeballing the California section, I came up with 20 foundations whose expressed purposes seemed in line with Anonprofit's activities. But I also wanted to know if any foundations outside of California might fund the Center's pilot project, which was designed to have national impact. There was no simple way to do this with the *Foundation Directory*. I either had to read through the entire book or look in the "field of interest" index for every foundation that had supported projects in the same field as Anon.'s. I knew it would be of long-term value to become familiar with all of the major national foundations, but I was in a rush and was looking for a shortcut.

"Psst."

I turned quickly at the sound.

"Try the *Foundation 500* if you're in a hurry," said a tiny grey-haired woman who was almost buried under a stack of books and papers.

I thanked her for the tip, and for the booklet she slipped to me. The *500* had a way to quickly locate foundations according to what they support and where they make their grants. It took me a second to figure it out (you don't spend too much time with books in my line of work), but soon I realized that by just skimming down a page you could find which foundations gave grants to Jewish organizations, for example, or which made grants within New Hampshire. There was also an index that indicated the assets of each foundation, how much it gives, how many grants it makes and how much, on the average, each one was for. Helpful.

Now I had an even longer list of foundation prospects, and I wanted to start narrowing it down. The XYZ Foundation might fund groups in Anonprofit's field of interest in the L.A. area, but what size were the grants, and for what type of expenses? And were the funded organizations traditional and large, or smaller and perhaps more innovative? I tried the Foundation Center's *Foundation Grants Index* for further illumination.

I used the 1977 *Index*, which lists about 10,000 grants over $5,000 made in 1976 by approximately 300 major foundations. This was the bound annual version of the center section of the bimonthly *Foundation News*.

I looked up the foundations on my prospect list to see what grants they had made in the last year. Most of the foundations were included, but not all of them. I also found out that the ABC Foundation gave money to a group similar to Anonprofit in Southern California. Good. But XYZ, on the other hand, seems to fund mainly YWCA's and Boys Clubs. My list was getting shorter, but my knowledge of each foundation was beginning to grow.

Before I went on, I decided to take a rest. I lit up my pipe and began to reflect a bit. But suddenly, another clerk, this one female, marched over and demanded that I "extinguish" my pipe. Her look of disdain suggested that it was not so much the pipe but who was smoking it that had aroused her. With my apology I gave her the smile I once reserved for my former in-laws. She turned quickly and departed.

I returned to my musings on the "techniques" of my investiga-

tion. I had started with the *Foundation Directory* and gone to the *Foundation Grants Index* for further information. But I could have checked out the *Index* first, focusing on foundations in my state or nationwide to get a picture of what types of organizations and projects each foundation funded. Or I could have begun my exploration of foundations by using the subject index of the *Index*. And I soon learned of a handy aid in carrying out such a subject search.

"Comsearch," whispered the woman behind the books.

Was this some kind of a code word, I wondered? Was the innocent-looking researcher an IRS spy or something? My paranoia dissolved when she handed me a blue booklet, a *Comsearch Printout*, another Foundation Center publication. It seems that the Center has pulled together grants within each of 54 subject categories and developed individual booklets and microfiche cards. The grant information is from the Center's computerized Data Bank. *Comsearch* contained nothing beyond the *Grants Index*, but it helped speed up the research process. I could have examined *Comsearch* first, then gone to the *Foundation Directory* to pick up foundations not included in it. I was beginning to see that this was a lot like detective work — many leads to pursue, the key being to pursue them all.

I had now narrowed down my list of prospective funding sources considerably, but could I be overlooking something? I had started with about 28 hundred foundations, then I was looking at the funding patterns of 500, and by the time I got to the *Foundation Grants Index* and *Comsearch* I was only dealing with about 300. I checked the *Almanac*. Sure enough, it said there were 28 *thousand* foundations. How was I going to find out about them?

I was getting a little anxious being inside so long. I got up and walked around a little. A lot of tables. A lot of books that invited you to stay away. A lot of guys that weren't bad looking if only they'd had an outdoors glow instead of a fluorescent pallor. Why weren't they on the beach where they belonged?

Nobody even gave me a glance, and I'm not used to that. But I had told Neda I'd do it, and in my business you keep your word.

Suddenly, a mammoth brown book caught my eye. *The Foundation Center National Data Book*. It had been pushed to the back of the shelf and I'd missed it when I first checked over the books. It was a list of foundations, a lot of foundations.

I read the introduction. The two-volume book provides brief information on almost 22,000 foundations whose tax returns from 1974, 1975 or 1976 indicated recent grant making. Volume I is arranged alphabetically and includes the state in which each foundation is located, its IRS employer identification number, grants paid, market value of assets, gifts received and principal officer. Volume 2 lists each state's foundations in descending order of grants paid. This volume includes the complete mailing address of each foundation.

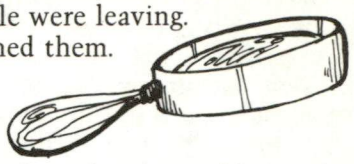
I knew I had found something important. Now I could identify foundations in a certain geographical area or of a certain size, asset-wise. I could learn a little something about many foundations, though I couldn't learn about their fields of interest or main purposes.

But once again I was lucky. I chanced upon another book on the shelf that offered more specific information, at least on California foundations. *Guide to California Foundations* was like a miniature *Foundation Directory*, even including sample grants and information on certain foundations' grant-making processes.

"Lots of states have books kinda like that," offered my unsolicited silver-haired informant.

I could see what a boon state guides would be, since they identified many foundations too small to make the big directories, but large enough to give substantial grants [see page 51 for a list].

I identified another 10 foundations that might support Neda's organization from the California directory. My list was getting longer again, and I needed more information. But it was late. People were leaving. I joined them.



The next day dawned hot and sunny, which made returning to the book mausoleum all the more unappealing. But the trail was hot. I returned to the Westwood campus.

The guidebooks Neda had given me suggested that to get the real lowdown on a foundation I had to check out its IRS 990 AR and 990 PF returns and its annual report. The IRS forms were on microfiche.

To use the microfiche cards I had to go to a dark, windowless room, brightened only by the light emitted from microfilm and microfiche "readers." This was more like it, I remarked to myself. It reminded me of how I uncovered the Iniquity Funding scandal.

As I began to go through the 990s I cast a furtive glance to make sure I wasn't being watched. Habit. It's saved me more than once. But no one seemed to care that I was taking in all this vital information. There were 990 forms for every foundation in California [the forms can be found at other Foundation Center collections or at state attorneys general's offices—see page 41—or ordered from the IRS — see page 43]. I could find out a foundation's assets, see who it's made grants to and learn the names of the foundation's trustees. As I was going through the 990s, I came across a name that brought back a lot of memories — Harry Chapen. Harry was a professor Neda and I had years ago. He'd always liked Neda. Now he was a board member of the Trout Foun-

dation. A good contact. I made a mental note to tell Neda to have someone make a list of the trustees of the foundations I was identifying. Maybe she could discover some other connections. (Later, while scanning the library shelves, I found boxes containing paper copies of 990s, but they were a few years old. These might round out the picture of a foundation's giving patterns over several year's time, but the more current information on the microfiche cards was more useful.)

I returned to the now-blinding fluorescent glare of the main room to resume my search. As I passed the information desk, the clerk caught my eye before I even sought his. He gestured to me and I walked over to his desk.

"I thought you might be interested in these," he said, handing me several brochures.

Without a glance at them, I thanked him and went to a table. I'll examine these later, I decided, but first I'll see if I can find out if my foundations had published annual reports. A few dozen were available on the shelves. The ones I read contained most of the information in the 990s and many had some more information about the foundation's purposes and how you apply for a grant. But it was obvious that only a few foundations publish annual reports, or at least that the library only had a few.

I remembered the *National Data Book* had mentioned something about how to find out which foundations publish an annual report. I found the book again and learned that if a foundation published an annual report, it had an asterisk by its name. I located the foundations on my "top prospects" list and noted ones I could write to for their reports.

"You want to find all that information in one place, kid?" It was that lady again. "Try those new *Source Book Profiles.*"

I didn't know what this woman's scam was, but I was grateful for yet another lead. I learned that the *Profiles* are a subscription service the Foundation Center has just begun [also available at regional collections]. Subscribers will receive more than 500 individual foundation profiles in a year, at the rate of 40-50 each month. The profiles reminded me a little of CIA dossiers. They combine the information from the *Foundation Directory*, 990s, annual reports and other sources into a comprehensive picture of a foundation's overall giving pattern. They give the address and phone; a list of board and staff; a lot of financial data, like assets and grants and size of individual grants; an analysis of types of grants and types of recipients; background on the foundation and its donor(s); foundation purpose; some sample grants arranged by subject; and policies, guidelines and application procedures. Just what I needed. Only a few of the foundations on my list had profiles, but for them it was all I needed.

Well, now I had about exhausted the Foundation Center publications. I wondered what else was available. I turned to the papers the clerk had given me. Advertising flyers mainly, they were trying to sell foundation research material from commercial publishers. I had already come across one such outfit, Foundation Research Service (of *Foundation 500* fame), but here were brochures for two other companies — the Taft Corporation and Public Service Materials Center. Both seemed to be major publishers in the foundation area, with books on nonprofit management and proposal writing in their catalogs as well as foundation reference materials.

UCLA didn't carry these books, so I had to try other libraries or make purchases. Neda had given me a small amount of money for buying books, but the Taft "system" would have broken the bank [see bibliography on page 40 for prices]. Fortunately, the main branch of the Los Angeles Public Library carries Taft, so I decided to head downtown. I thanked my senior informant and finally learned what she was doing — researching foundations for her Grey Panthers group. I casually waved to the clerk as I left the halls of academe behind.

The traffic was light and thus it took me about a half hour to get to the L.A. library, a venerable light brown stucco building with touches of the Spanish influence that is so ubiquitous in L.A. It is surrounded by corporate monoliths that pierced the late afternoon smog. Somewhere in those towering edifices is the office of a foundation that will support Neda's group, I said to myself. I had to find it.

I spied Taft's "System" in the social sciences section. It consists of the *Foundation Reporter, Trustees of Wealth,* the monthly *News Monitor of Philanthropy* and the occasional "Hot Line" news service. I noticed that the *Reporter* was comparable to *Source Book Profiles,* though less complete in its analysis of grant recipients. There was basic information on 446 foundations, plus a list of sample grants, a description of foundation interests and types of grants and "who's who" biographical sketches of certain officers and trustees. *Trustees of Wealth* expands the "who's who" service to include small and medium-sized foundations beyond the 446. The *News Monitor* is a thin newsletter reporting on current developments in charitable giving and listing a few recent grants.

Taft's books — mainly the *Reporter* — looked like decent but considerably more expensive alternatives to certain *Foundation Center* publications. I called up a friend who had worked in a college development office to check on Taft's reputation. She said that some people swear by the "inside" information on trustees and such, but others feel the biographical data is often useless, because one should work through foundation *staff,* not trustees. Also, the sketches are pretty much drawn from "Who's Who" books, and thus one could obtain them without buying

Taft.

I decided that Taft was a service that would be most useful to major organizations and large universities, but that the Foundation Center publications beat it in price, objectivity and accessibility.

Public Service Materials Center's publications, which I had to purchase, are far less expensive than Taft's, but aren't as valuable as the *Foundation Reporter* or the basic Foundation Center volumes. First I checked out *Where America's Large Foundations Make Their Grants* [reviewed in issue 20 of the NEWS]. I skimmed the introduction. The book would help a little, I realized, since it listed grants of more foundations than the *Foundation Grants Index* and it included smaller grants (all those over $1,000 rather than over $5,000). I flipped to the back of the book and saw its big weakness — no subject or recipient indexes. I also noticed that *Where* wasn't telling me about foundations' purposes and assets. And I quickly surmised that the information was less timely than that in the bimonthly *Index*. You don't stay in this business if you're not a quick surmiser.

I also got another PSMC publication, *The 1976-77 Survey of Grant Making Foundations with Assets of Over $1,000,000 or Grants of Over $200,000.* It didn't take me long to figure out that this book was about as bad as its title. The information it compiles — simply the answers to five questions about foundations' grant-making policies and procedures — was all in the Foundation Center publications or Taft's *Foundation Reporter.* Moreover, the booklet was a pain to read. It might have helped had it been presented in chart form like the *Foundation 500,* but instead it re-lists the foundations for each new question and answer.

Finally, I examined the Founation Research Service's *Reports* on foundations. These seemed a weak combination of other materials which could be obtained for free. Looking like a secret file, the short report was merely a xeroxed copy of the foundation's 990 AR and biographical sketches of certain officers and trustees. I wrote this service off as one for very lazy researchers.

My research complete, I prepared a report for the Anonprofit board and made an appointment to discuss my findings with Neda. I was pretty exhausted from this case, but it was certainly easier than cops and robbers, dark alleys, trailing errant husbands and occasional violent encounters. I also heard it could be a lucrative profession. The thought entered my mind that perhaps I should replace my office shingle with one reading "Grants Consultant" . . .

Epilogue

Neda was pleased with my work. "I knew I could count on you, Philicia." I was about to put on my humble act, but she went on. "Now, could you do me a personal favor along the same lines?"

She'd been a big help to me in the past, so I couldn't very well refuse the accompanying request: to check out foundation grants available to individuals (like Neda, of course) to do research or special projects.

Well, to make a long story short, by dropping in at the regional collection again, some other local libraries and even the student grants office at a local college, I came up with several sources that list foundation grants for individuals.

Only one is strictly limited to foundations—the Foundation Center's brand new *Foundation Grants to Individuals.* This volume profiles the grant programs of more than 1,000 foundations, specifically describing the portion of each program relating to individuals. The book is arranged by broad program areas and includes a detailed subject index for easy cross-reference.

While this publication seems by far the most complete directory of foundation grants for individuals, several other books and services provide a guide to other sources of individual aid (federal government, corporations, businesses *and* foundations). Probably the best book of this variety is the *Annual Register of Grant Support* [reviewed in issue 5 of the NEWS], listing about 1,800 grants for a wide variety of purposes. Though many foundations are listed in the *Annual Register,* and not just in regard to individual grants, it is definitely a secondary foundation research source in comparison to other foundation-focused publications.

Similar to the *Annual Register,* but serving citizens/residents of British Commonwealth countries as well as Americans, is *The Grants Register 1977-79* [reviewed in issue 21 of the NEWS]. Since it includes grants not listed in the *Annual Register,* and vice versa, both would be useful for reference (in a library at least, if not necessarily in one's personal collection).

A couple of grant information services I came across seem directed mainly at academics, emphasizing federal grants and serving as a "tickler" to remind development officers or researchers of deadlines. Oryx Press publishes an expensive *Grant Information System* [reviewed in issue 20 of the NEWS] that includes four "Quarterly Cumulatives" of available grants and monthly "Faculty Alert Bulletins," which note deadlines in six subject areas. One of the quarterlies each year is bound as Oryx' *Directory of Research Grants.* The *Directory* is less expensive than the similar *Annual Register,* but its entries are briefer and it includes somewhat fewer grants.

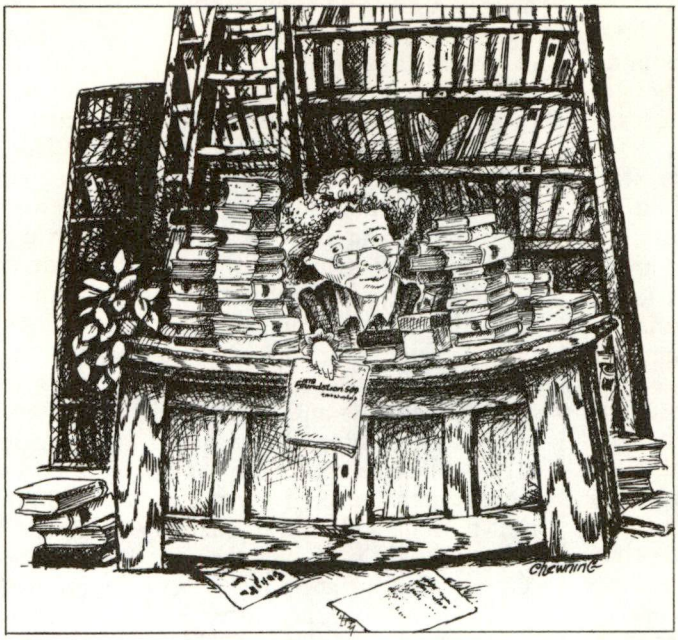
I brought the information I'd uncovered back to Neda. She glanced through it and seemed impressed.

"How did you do it?," she asked.

I puffed on my pipe and slowly blew the smoke upwards.

"Eleemosynary, my dear Neda.

Consumer Guide to Foundation Publications



PRIMARY SOURCES

The Foundation Directory, Edition 6, Marianna O. Lewis, ed., 1977, 650 pages, $35 plus $1 postage and handling.

The best source of basic information on the largest 2,818 foundations.

The Foundation Grants Index, Lee Noe, ed., 1976, 361 pages, $15 plus $1 postage and handling. *(The Foundation Grants Index* also appears bimonthly in *Foundation News,* $20 annual subscription. Order from the Council on Foundations, Inc., Box 783, Old Chelsea Station, N.Y. 10011.)

Useful listing and cross-indexing of grants over $5,000 made by 300 major foundations.

The above two publications are available from Columbia University Press, 136 So. Broadway, Irvington, N.Y. 10533. The following publications should be ordered from the Foundation Center, 888 Seventh Ave., New York, N.Y. 10019.

The Foundation Center National Data Book, 1977 2 volumes, $40.

Important source for identifying smaller foundations not included in *The Foundation Directory* and other guides to the largest foundations.

Comsearch Printouts, 1976, 54 separate printouts, $3 per printout on microfiche, $11 each on paper (prepaid).

You're paying for the convenience of a printed computer sort through the *Foundation Grants Index* to find grants made in your field of interest.

Foundation Center Source Book Profiles, includes more than 500 foundations, 1977, $150 annual subscription.

Complete detailed information on major foundations in one publication. At 30 cents per foundation this is a good buy if you've got the bucks, but it would certainly be helpful to small organizations if profiles could be purchased separately.

Foundation Grants to Individuals, 1977, $12 plus $1 postage and handling (prepaid).

A valuable new book for individuals seeking grants. It covers more than 1,000 foundations.

About Foundations: How to Find the Facts You Need to Get a Grant, Judith B. Margolin, 1977 revised ed., 48 pages, $3 prepaid.

Helpful guide to using Foundation Center materials, state foundation directories and 990s.

1978 Foundation 500, Samuel D. Lawson, ed., 1977, 56 pages, $34.50.

A useful supplementary research tool, but rather expensive for what it delivers.

Foundation Reports, $5 each ($4 each for 11 or more).

Simply a photocopy of the foundation's 990 AR and short biographies, if available, on officers and trustees.

Order these publications from: Foundation Research Service, 39 E. 51st St., New York, N.Y. 10022.

Where America's Large Foundations Make Their Grants, 1977-78 edition, Joseph Dermer, ed., $24.

Includes more foundations and more grants (those from $1,000-$5,000) than the *Foundation Grants Index,* but has no indices by subject or recipient.

The 1976-77 Survey of Grant-Making Foundations . . . , 62 pages, $8.50.

The information here—mainly concerning foundations' grants process — could have been presented much more succinctly in chart form. A not-so-useful supplement.

Order these publications from Public Service Materials Center, 355 Lexington Ave., New York, N.Y. 10017.

Foundation Reporter, Jean Brodsky, sr. ed., 703 pages, two editions annually.

Similar in coverage and depth to the Foundation Center's *Source Book Profiles,* plus Taft includes biographical sketches of officers and trustees. The price is at least $100 more than *Profiles.*

Trustees of Wealth, Jean Brodsky, ed., 463 pages, two editions annually.

Some people swear by Taft's "it's who you know" biographical data (covering small and medium-sized foundation trustees in this volume). Others think its useless or encourages an unprofessional approach. Expensive.

News Monitor of Philanthropy, monthly newsletter.

A much poorer version of *Foundation News* — news, articles, reviews and lists of recent grants.

These Taft materials are usually not available for purchase separately, but must be purchased in "systems." *System 1* includes all three publications listed above, plus a periodical "Hot Line" news service ($375 per year). *System 2* consists of the above minus *Trustees of Wealth* ($275 per year). *System 3* includes everything in system 1 except the *Foundation Reporter* ($125 per year). Renewal prices are lower.

Order from: Taft Corporation, Suite 600, 1000 Vermont Ave. N.W., Washington, D.C. 20005.

Coming soon from Taft: *Corporate Foundation Directory,* covering 300 foundations. Similar to the *Foundation Reporter,* it will cost $90.

SECONDARY SOURCES

(With an emphasis on awards to individuals)

Annual Register of Grant Support, 1977-78, 757 pages, $52.20 plus $2 handling.

Useful guide to grants for organizations and individuals from a variety of sources, but foundation information is not its strongest suit.

Order from Marquis Academic Media, 200 E. Ohio St., Chicago, Il. 60611.

The Grants Register, 1977-79, Roland Turner, ed., 764 pages, $25.

Similar to the above volume, but more oriented to British Commonwealth grant seekers.

Order from Reference Book Dept., St. Martin's Press, 175 5th Ave., New York, N.Y. 10010.

Grant Information System, 1977. Includes four "Quarterly Cumulatives" and monthly "Faculty Alert Bulletins" in six subject areas. $375 plus $30 postage.

Useful but expensive information and "tickler" system for academics. Foundations play a minor role.

The Directory of Research Grants 1976-77, 235 pages, $34.75 + $1.25 postage.

One of the "Quarterly Cumulatives" of the *System.* It includes slightly fewer grants and less detail than the similar *Annual Register.*

Fund Sources in Health and Allied Fields, monthly, $95 per year.

Another "tickler," but only for one academic area. Essentially a "Faculty Alert Bulletin" (see above).

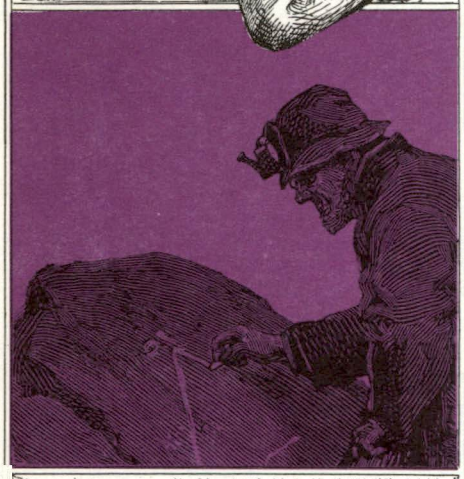
Order from Oryx Press, 3930 E. Camelback Rd., Phoenix, Az. 85018. Prepayment is required from individuals (institutions will be billed). The first two publications carry a 30-day trial offer.

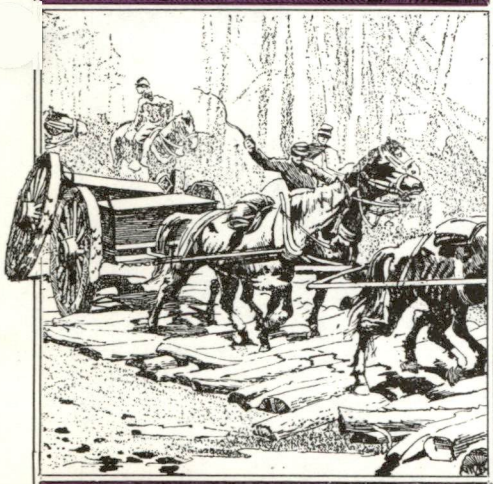
ARIS Funding Messengers — Creative Arts and Humanities Report (9 times a year, $54); **Social and Natural Sciences Report** (17 times a year, $68); **Medical Sciences Report** (17 times a year, $68).

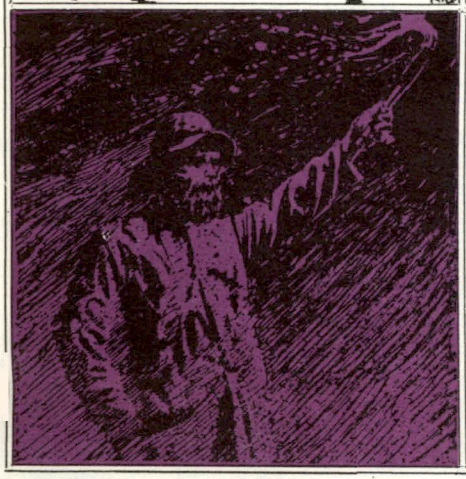
Like Oryx, these newsletters emphasize timeliness and awareness of deadlines. Directed at academics, they cover only programs of major foundations.

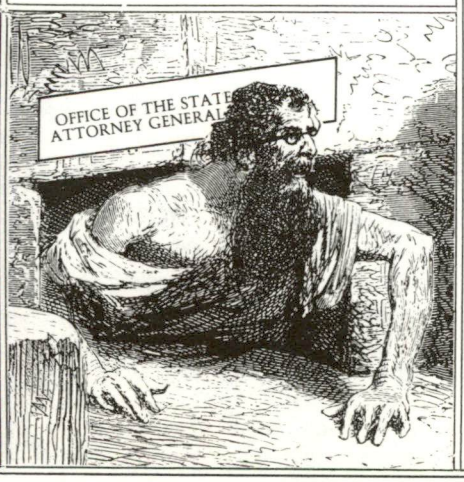
Order from Academic Research Information System, Pacific Medical Center, 2330 Clay Street, Suite 205, San Francisco, Ca. 94115.

Illustration by Randy Chewning







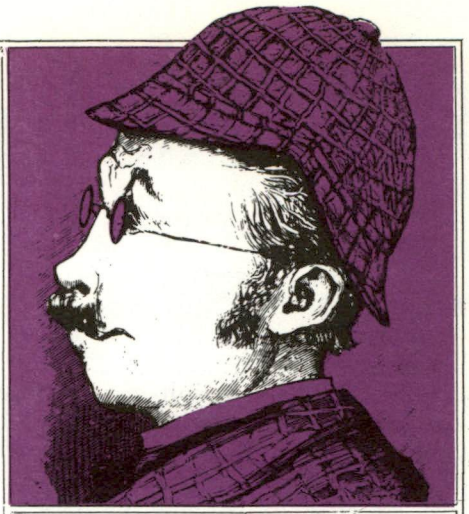


HOW TO LOCATE A HIDDEN TREASURE

(of information about foundations)

★ ★ ★ ★ ★

By Carol Schulkey & Timothy Saasta



Hidden away in some store-room in some office in your state capitol is a mini-gold-mine of information about foundations, a mine that is being excavated by very few grant seekers.

The mine consists of 990 ARs, reports submitted annually by foundations to the Internal Revenue Service. The 990s are the best source of information about most foundations as they include the names of trustees, a list of grant recipients and amounts of assets and grants, as well as other useful information. In some states, the mine also includes state-required annual reports, which at times contain more information than the 990s.

Finding this information used to be about as easy as finding buried treasure. Some states have never received a request for a 990. In other states, even the state official who the IRS told us was responsible for the forms didn't know anything about them. In one state, we talked with 10 different employees and we still can't tell you where you will find the 990s. But for most of the other states, the chart we developed, beginning on page 45 provides information that will help you find and use state sources of information on foundations.

A 990 annual report must be completed by all foundations with assets exceeding $5,000 and sent both to the Internal Revenue Service *and* the attorney general's office of the state(s) in which the foundation is incorporated and has its principal office. The information you will find in the 990 is summarized on page 42.

The 990s are available from other sources, but in the past so much time elapsed between when they were submitted by a foundation and when they were made publicly available that the information was often old before it could be used. However, most states make the 990s available very soon after they are received from the foundation, thus a grant seeker has a better chance to know what a foundation is doing *now*, not what it was doing three years ago. The 990s must be sent to the state at the same time they are sent to the IRS—the 15th day of the fifth month after the close of the foundation's tax year. For most foundations, this date is May 15.

The IRS has made a commitment to make the 990s available sooner at the other major source—the Foundation Center's

regional collections—but it will still be at least six months from when they are received by the IRS until they can be used by the public. Other information services and publications reflect this delay (as well as the additional delay in getting something published), thus most information on foundations is at least two or three years old. For example, the just-published sixth edition of the *Foundation Directory* includes information based mostly on 1975 returns.

Another advantage of the state collections for many grant seekers is that the state capitol is closer than one of the Foundation Center's regional or national collections (for information on these collections, see box on page 43). A disadvantage is that the state office will have 990s only for foundations in that state, whereas a few regional collections have 990s for foundations in nearby states.

While the states are excellent sources of current foundation information, there are problems. Though they are required to do so, many foundations do not send their 990s to the state. Patty Jaspar estimated that only 60 percent of the foundations in Pennsylvania send 990s to her office. Also, many of the offices make no attempt to organize the 990s in any logical manner, though a couple of states (Alaska and Rhode Island) indicated that they had recently reorganized their collections, and a spate of inquiries might stimulate other states to do the same. Sometimes 990s from previous years, which can offer valuable insight into a foundation's changing grant patterns, are not kept. Often the 990s are filled out haphazardly or illegibly, though that is a problem regardless of the source. And for grant seekers in five states (Alabama, Connecticut, Georgia, Indiana and Vermont) the issue is moot since those states do not make the reports publicly available.

Carol Schulkey is editorial assistant and Timothy Saasta is editor of the NEWS. Considerable assistance was also provided by James Abernathy, a private consultant now working with the National Committee for Responsive Philanthropy, and Joseph Paul, assistant attorney general for Ohio.

What You Can Find in the 990-AR

The Internal Revenue Service, in section 6056 of the IRS Code, requires private foundations to provide information in 10 general categories:

1. The address of the foundation's principal office and of the location of its books and records.
2. Total contributions and gifts received during the year.
3. Gross income for the year.
4. Annual disbursements (including administrative expenses).
5. Expenses attributable to gross income incurred within the year (broker's fees, bank or trust charges, property management, etc.)
6. The names and addresses of its managers.
7. A list of managers who are also substantial contributors or own 10 percent of a business enterprise in which the foundation has a 10 percent interest.
8. A balance sheet showing assets, liabilities and net worth.
9. An itemized account of all securities and other assets, including both book and market value.
10. All grants made or approved during the year, the name and address of each recipient, the amount and purpose of the grant and the relationship, if any, between any recipient and the foundation's managers or substantial contributors.

Finding Out About State Sources of 990s

Through a recent survey, the NEWS has investigated the availability of information on foundations from the state government. We conducted a mail survey that included questions about where the 990s are kept, who is in charge of them, their availability to the public, restrictions on their use and additional state-imposed reporting requirements for foundations.

Since only half of the states responded, we followed up with a telephone survey of the remaining states. Finding out about the 990s turned out to be a particularly difficult task in a few states (Missouri, Florida and Colorado). The information we've provided is our best guess about

who the contact person is.

Almost all the states appear to retain the 990s, contrary to some speculation that the records were being destroyed in some states. If you suspect that the records in your state are not being retained at all or for a long enough period, a check may be made to determine if your state has a public records destruction statute. If so, employees could be in violation of these statutes if they are discarding the reports. If you find that there is a problem with record retention or location, attempt to convince those responsible to change their policies.

Several attorneys general are well aware of the value of the 990s to the state and the public. Some publish state foundation directories or maintain computerized information on charitable organizations. Massachusetts is in the process of getting approval of a new "public charities" annual report form, which has been designed to be useful to the grant-seeking public. It will provide more detailed information about the activities of foundations and other charitable organizations in Massachusetts.

Officials in other states might be open to your suggestions about how the 990s could be better organized.

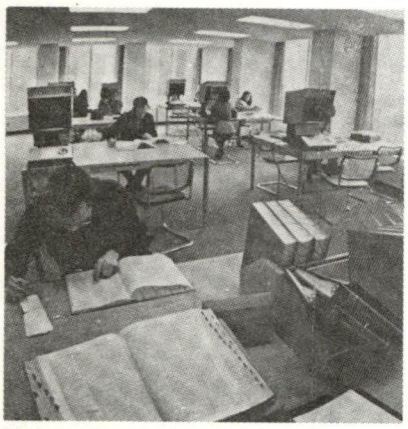
If you live in a state where the 990s are not publicly available, you might want to investigate further. Alabama, Georgia and Vermont officials cited state confidentiality laws as the reason for their secrecy. But if other states make the same type of information available and the exact information is available through a variety of other sources, state restrictions seem meaningless.

Other Sources of Foundation 990 Annual Reports

There are several other sources of 990 annual reports. However, all the sources except the state government and Foundation Center collections require that you know exactly which foundation 990 you want to see.

Foundation Center National and Regional Collections

The Foundation Center's national collections (in New York City and Washington, D.C.),



field offices (in Chicago, Cleveland and soon to be opened San Francisco office) and 55 regional collections are a good source of 990s. Their collections are fairly complete and they will have copies of most of the 1976 990s by the beginning of 1978. The national collections and Chicago field office have 990s for all the states. The other field offices collect 990s from their own and neighboring states. Regional libraries collect 990s for their own states and nearby states that don't have regional collections. Each collection has at least one microfiche reader for viewing 990 aperture and microfiche cards. Most have duplicating facilities and some have reader-printers for making hard copy from aperture cards and microfiche. For a complete list of collection locations contact the Foundation Center (888 Seventh Ave., New York, N.Y. 10019).

National Office of the IRS

You can also order aperture cards or paper photocopies from the IRS. Include the following information in your order: full name of foundation, city and state in which it is located, the year of the return desired, and, if available, the Employer Identification Number (EIN). The EIN will facilitate the filling of your order. If you have access to prior year records, it may be found at the top of page 1 of Form 990-PF or page 2 of 990-AR. You can also get the EIN by using the Foundation Center's *Data Book* (see page 40).

The cost for aperture cards is $1 for the first card and 19¢ for each additional card included in the order, regardless of the number of foundations requested. The same charge applies to paper copies, but remember that, if you can use them, the aperture cards are considerably cheaper since each card carries up to 14 pages of information while a paper copy has only one page. The IRS will bill you when the order is filled. Allow four to six weeks for processing and filling the order, depending on its size. Complete sets of aperture cards for individual states can also be ordered for from $3 to $1,561 depending upon the state.

Address your requests to: Internal Revenue Service Center, P.O. Box 187, Cornwells Heights, Pa. 19020.

District IRS Offices

The district offices of the IRS provide copies of the 990s for public inspection, but you must make your request in writing to the exempt organization section of the IRS regional office, stating exactly what you want to see and why. The IRS then contacts you to make further arrangements. This process usually takes several months.

Individual Foundations

Although the foundation itself is required to advertise the fact that the 990 is available for inspection for 180 days after the filing date, unstaffed foundations or those reluctant to let you know about them do the barest minimum to make them available through their offices. Also, if you want to know about many foundations, it's expensive and time consuming to individually request 990s.

You might ask your organization's attorney to look into your state's law to see if the restriction should actually apply to the 990s. The availability of 990s seems to be strictly a state affair, as the IRS or other federal government officials have little interest and no authority to force the issue. Thus, your best approach would be to try to change the minds of the state officials by asking for a reinterpretation of the state law.

The major problem with using the 990s in states in which they are available is the incompleteness of the collection. Many foundations are unaware of, or ignore, the requirement that they file a copy of the 990 with the state. The requirement is noted on the 990 form in small print in the instructions, but it fails to specify the exact address of where to send the form. With a little effort the IRS could specify the address, as well as print on the first page of the form the basic instruction that a copy be sent to the attorney general's office. An alternative method that would insure that the state receive 990s for virtually all foundations would be to require foundations to send an extra copy to the IRS. That extra copy could then be forwarded to the individual states.

In a smaller state, you could probably survey the state's entire collection in a day. If you're seeking information in one of the larger states you should have some specific foundations in mind. A check of your state foundation directory could reveal some good foundations to start with (see article on state foundation directories, page 51). Or you could use the Foundation Center's *Data Book* to identify foundations in or near your city and then look at their 990s. (You wouldn't need the *Data Book* if your state organizes the 990s by city.) The box on page 42 details the information the 990s can provide. To understand how the 990s relate to other sources of foundation information, see the article on page 35. To find out what you should look for in a 990, see the article on 990s in issue 12 of the NEWS or in "Researching Foundations: How to Identify Those That Will Support Your Organization," which is available from the Grantsmanship Center as a reprint.

How to Use the Chart

Column 1 tells you who to contact and where their office is located. Although personnel may change, it is helpful to mention a name. Even if the person no longer works there, you can simply ask for her or his replacement.

Column 2 indicates whether an appointment is necessary, what hours the office is open and the phone number. In most cases it would seem advisable to make an appointment. That should insure that the person you'll need to see is available, that work space is provided for you and that the people in the office know what you're talking about when you walk in the door.

Column 3 deals with restrictions on public use. Although not always indicated in the chart, you can assume that in most cases the files cannot be removed from the office. Therefore, it's a good idea to ask about copying facilities and charges ahead of time.

Column 4, "Additional Comments," is a collection of other information that respondents volunteered. Some of these comments require a little interpretation. For example, the comment, "have never had any requests" may be an indication that the idea of providing the 990s to the public hasn't been thought through yet. In these cases, a little more knowledge, firmness and tact could be in order, since they may be having second thoughts about the inconveniences and disruption frequent visitors to their offices could cause.

Additional state-imposed reporting requirements are listed as best we could determine them, but because the survey asked about additional reporting requirements for foundations as a separate category, there seemed to be some confusion and conflicting interpretations of the question. Some states noted additional registration requirements that apply to "only nonprofits," "only trusts," etc. Four of the states (Alaska, Arkansas, Kansas and Tennessee) noted that their laws require registration for organizations that solicit for funds. But since most private foundations aren't involved with charitable solicitation, that information isn't particularly relevant. Only a few state reporting forms appear to require any more information than the 990, but those that do can be quite useful. We suggest that you do some investigating of state reporting requirements on your own. You might also consider joining with other nonprofits and asking the state to improve the usefulness of its reporting requirements, perhaps along the lines of Massachusetts.

Using the 990s

Your first step is making contact with the person listed, preferably by phone. If the person who answers seems confused and tries to tell you to call someone else, be firm. The agency and person listed are supposed to have the forms and have provided us with the information. They'll also receive a copy of this article. So don't take no for an answer. If they are not in, call back.

When you do get hold of the right person, ask about restrictions on use, space availability, how the records are organized, fees for photocopies, which years are available, what percent of the foundations have sent in reports as required, and her/his opinion on the completeness of the records.

STATE GOVERNMENT SOURCES OF FOUNDATION INFORMATION

State/Contact/Address	Appointment Necessary?/ Hours/Phone	Restrictions on Public Use	Additional Comments *(reports available immediately when received unless otherwise indicated)*
ALABAMA Fred W. Pritchard Corporations Section Alabama Dept. of Revenue Montgomery 36130	Not applicable (205)832-5760	Information not available to the public.	Few foundations file 990 AR's with the state.
ALASKA Joseph K. Donohue Office of the Attny. General Dept. of Law Pouch K, State Capitol Juneau 99811	Preferred 8 am-4:30 pm (907)465-3600	None	Have just begun saving and organizing the 990's.
ARIZONA James Winter Attny. General's Office 1700 W. Washington Phoenix 85007	No 8 am-5 pm (602)271-4681	None	990's held for approximately one week examination before made publicly available.
ARKANSAS Rodney Parham Chief Depty. Attny. General Justice Bldg. Little Rock 72001	No 8:30 am-5 pm (501)371-2007	None	
CALIFORNIA Larry W. Campbell, Registrar Registry of Charitable Trusts Mail: P.O. Box 13447 Sacramento 95813 Visit: 1315 5th Street, Room 443 Sacramento 95814	No 8:30 am-4:30 pm (916)445-2021	Limited to 20 files/day/person unless prior arrangements are made.	*Additional Reporting Requirements:* Annual report required for "corporations, associations and trustees holding assets for charitable purposes." Contains additional information.
COLORADO[1] James Riley Inheritance and Gift Tax Div. 318 State Office Bldg. Denver 80203	(303)892-2381		
CONNECTICUT Ralph Murphy	Not applicable (203)566-7120	Information is confidential—Conn. State Law, General Statutes of Conn., Chap. 208, Sec. 12-15.	
DELAWARE Bill Remington Asst. Attny. General's Office Fifth Floor—Wilmington Tower Wilmington 19801	Yes 8:30 am-5 pm (302)571-2524	None	

STATE GOVERNMENT SOURCES OF FOUNDATION INFORMATION

State/Contact/Address	Appointment Necessary?/ Hours/Phone	Restrictions on Public Use	Additional Comments
FLORIDA[2]			
GEORGIA Hart Pearson Georgia Dept. of Revenue, Trusts and Estates P.O. Box 38467, Capitol Hill Station Atlanta 30334	Not applicable (404)656-7043	Information is confidential, as is any document provided in compliance with income tax laws.	*Additional Reporting Requirements:* Required registration forms contain no more information than the 990's.
HAWAII Tany Hong Dept. of Attny. General State Capitol Bldg. Honolulu 96813	No 8 am-4:30 pm (808)548-4760	None	
IDAHO Theodore V. Spangler, Jr. 5257 Fairview Avenue Boise 83704	No 8 am-5 pm (208)384-3130	None	
ILLINOIS Jane Goldhaber Attny. General's Office 188 West Randolph Street Room 1826 Chicago 60601	No 8 am-5 pm (312)793-2595	None	*Additional Reporting Requirements:* Required registration and annual reporting forms contain additional information.
INDIANA Richard Johnson 219 State House Indianapolis 46204	Not applicable (317)633-6240	Unless a client grants a waiver, it is treated as confidential.	
IOWA Elizabeth Nolan Office of the Attny. General State Capitol Des Moines 50319	No 8:30 am-4:30 pm (515)281-5164	Limited space	
KANSAS Mr. Jensen Office of the Attny. General State Capitol Bldg.—1st floor Topeka 66612	Preferred 8 am—5 pm (913)296-2215	None	
KENTUCKY Patrick Kimberlin, III Asst. Attny. General Attny. General's Office New Capitol Bldg. Frankfort 40601	Preferred 8:30 am-5 pm (502)564-7600	Minimal charge for copying.	Forms are examined for completeness. Office has 300-350 forms. *Additional Reporting Requirements:* Registration forms required for incorporated foundations, but they do not contain more information than 990's.
LOUISIANA Warren E. Mouledoux First Asst. Attny. General Attny. General's Office Dept. of Justice, 7th Floor 2-3-4 Loyola Bldg. New Orleans 70112	Preferred New Orleans: (504)568-5575 Baton Rouge (504)389-6761	May not remove from office.	Haphazard system. Filed only in the order in which they are received. Some sent to New Orleans, others to Baton Rouge.

STATE GOVERNMENT SOURCES OF FOUNDATION INFORMATION

State/Contact/Address	Appointment Necessary?/ Hours/Phone	Restrictions on Public Use	Additional Comments
MAINE Jerome S. Matus Asst. Attny. General c/o Bur. of Taxation State Office Bldg. Augusta 04333	Preferred 8 am-5 pm (207)289-2076	None	
MARYLAND Raymond Weiss 1400 One South Calvert Bldg. Baltimore 21202	Yes 9 am-5 pm (301)383-3909	None	Pending legislation to require "certain nonprofit and tax-exempt organizations to file certain reports . . ."
MASSACHUSETTS Susan Sloan Director, Div. of Public Charities Dept. of the Attny. General One Ashburton Place Boston 02108	No 9 am-5 pm (617)727-2235	May not remove from office. May make copies there.	Maintains file on every public charity *Additional Reporting Requirements:* Required for "public charities." New form has been proposed and may be adopted by June 1, 1978. Designed to provide better information to the public.
MICHIGAN Ronald J. Styka Attny. General's Office 670 Law Bldg. Lansing 48913	Preferred 8 am-noon; 1 pm-5 pm (517)373-1152	None	Office holds files for approximately one week examination before made available. *Additional Reporting Requirements:* Required registration and reporting forms contain no more information than 990's.
MINNESOTA Howard Paulson Secretary of State's Office 180 State Office Bldg. St. Paul 55155 *or* Denise Webster Templeton Attny. General's Office 515 Transportation Bldg. St. Paul 55155	Preferred 8 am-4:30 pm (612)296-2803 (612)296-8955	May not remove from office. Copies available at 50¢/page.	If the organization is subject to the requirements of the Charitable Trusts and Trustees Act, the 990's are filed with the Secretary of State. Otherwise they are filed with the Attny. General. *Additional Reporting Requirements:* Required registration forms contain no more information than the 990's.
MISSISSIPPI Donald Clark, Jr. Office of the Attny. General Box 220 Jackson 39205	Yes 8 am-5 pm (601)354-7130	None	No specific policy because there are few requests.
MISSOURI [3] Greg Hoffman	(314)751-4415		
MONTANA Attny. General's Office State Capitol Bldg. Helena 59601	No 8 am-5 pm (406)449-2026	None	
NEBRASKA Gary B. Schneider Dept. of Justice State Capitol Bldg. Lincoln 68509	No 8 am-5 pm (402)471-2682	May not remove from office.	Office holds files for one week examination before made available.

STATE GOVERNMENT SOURCES OF FOUNDATION INFORMATION

State/Contact/Address	Appointment Necessary?/ Hours/Phone	Restrictions on Public Use	Additonal Comments
NEVADA William Isaeff Deputy Attny. General Supreme Court Bldg. Carson City 89710	No 9 am-5 pm (702)885-4170	None	Legislation pending that would require registration and annual reporting of foundations.
NEW HAMPSHIRE Margaret Watson Registrar, Div. of Charitable Trusts Office of the Attny. General State House Annex Concord 03301	8:30 am-5 pm (winter) 8 am-4:30 pm (summer) (603)271-3591	None	*Additional Reporting Requirements:* Annual report required. It may be the 990 AR and PF, auditor's report or suitable substitute.
NEW JERSEY Mr. Lauer. State House Annex—2nd floor Trenton 08625	Preferred 9 am-5 pm (609)292-6954	None	
NEW MEXICO Tom Dunigan Office of the Attny. General P.O. Drawer 1508 Santa Fe 87501	Yes 8 am-5 pm (505)988-8851	None	*Additional Reporting Requirements:* Reporting required for "trusts."
NEW YORK Warren M. Goidel Asst. Attny. General New York State Dept. of Law Charitable Foundations Bur. Two World Trade Center New York 10047	Yes 9:30 am-4 pm (212)488-3370	Special arrangements needed to review multiple reports.	*Additional Reporting Requirements:* Required for "charitable foundations." Contains information in addition to that in 990's.
NORTH CAROLINA Rufus L. Edmisten Attny. General, George W. Boylan Asst. Attny. General Dept. of Justice P.O. Box 629 Raleigh 27602	Not applicable (919)829-3377	Not available to public.	
NORTH DAKOTA Lynn Erickson Asst. Attny. General Attny. General's Office State Capitol Bldg. Bismark 58501	Preferred 8 am-5 pm (701)224-2210	None, but have never had any requests.	
OHIO Bruce Rakay, Chief Charitable Foundations Section Office of the Attny. General 15th floor—State Office Tower Columbus 43215	No, unless a large number are requested. 9 am-5 pm (614)466-3180	None	*Additional Reporting Requirements:* Registration required which contains information in addition to that in 990's.
OKLAHOMA State Attny. General's Office 112 State Capitol Bldg. Oklahoma City 73105	Yes 8 am-4:30 pm (405)521-3921	May not remove from office.	

STATE GOVERNMENT SOURCES OF FOUNDATION INFORMATION

State/Contact/Address	Appointment Necessary?/ Hours/Phone	Restrictions on Public Use	Additional Comments
OREGON Virgil D. Mills Div. of Charitable Trusts 500 Pacific Bldg. 520 S.W. Yamhill Portland 97204	No 8 am-5 pm (503)229-5982	May not remove from office. Copies available at minimal charge. No mail or phone requests.	*Additional Reporting Requirements:* Required reporting for charitable organizations under the "Uniform Supervision of Trustees for Charitable Purposes Act." Includes information in addition to that in 990's.
PENNSYLVANIA Patty Jasper Div. of Property and Natural Resources Pennsylvania Dept. of Justice Main Capitol Annex Bldg. Harrisburg 17120	Yes 8:30 am-5pm (717)787-2862	None	Estimate 60% of the 990's sent to Attny. General.
RHODE ISLAND W. Kenneth O'Donnell Office of the Attny. General 56 Pine Street Providence 02903	Preferred 8:30 am-4:30 pm (401)277-3384 or 3163	Limited space. Copies available for minimal charge.	Formerly a policy of "benign neglect." In past two years they've been updating and collecting more complete information. *Additional Reporting Requirements:* Required registration and reporting of "charitable trusts" has same information as 990's.
SOUTH CAROLINA Raymond Halford Asst. Attny. General P.O. Box 11549 Office of the Attny. General Wade-Hampton Office Bldg. Columbia 29211	Preferred 8:30 am-5 pm (803)758-3970	May limit number available for inspection on a given date.	
SOUTH DAKOTA Mr. Clair Ledbetter Attny. General's Office Pierre 57501	No 8 am-5 pm (605)224-3215	None	
TENNESSEE David Weed Attny. General's Office 450 James Robertson Parkway Nashville 37219	No 8 am-4:30 pm (615)741-2969	No copying facilities but may be checked out to make copies. Only the most recent forms are available.	All documents available under state "sunshine" law. *Additional Reporting Requirements:* Required registration of any "nonprofit corporation."
TEXAS Herman I. Little, Jr. Office of the Attny. General 4th floor, Supreme Court Bldg. P.O. Box 12548 Capitol Station Austin 78711	No 8 am-5 pm (512)475-4651	None	
UTAH G. Blaine Davis 236 State Capitol Attny. General's Office Salt Lake City 84114	Preferred 8:30 am-5 pm (801)533-5261	May not remove from office.	Office holds forms for up to two month's examination before made available. *Additional Reporting Requirements:* Annual Reports required for "corporations" and "trusts."

STATE GOVERNMENT SOURCES OF FOUNDATION INFORMATION

State/Contact/Address	Appointment Necessary?/ Hours/Phone	Restrictions on Public Use	Additional Comments
VERMONT Mr. Fenessee Dept. of Taxes Montpelier 05602	Not applicable (802)828-2524	Forms not available because considered a state return. Must remain confidential according to Title 32, Vermont Statute Annotated Sec. 3102, Chapter 103.	
VIRGINIA Mr. Terry Emerson 206 State Office Bldg. Capitol Square Richmond 23282	No 8:30 am-5 pm (804)786-3965	May not remove from office. No phone requests.	
WASHINGTON Jeanette Dieckman Attny. General's Office Temple of Justice Olympia 98504	No 8 am-5 pm (206)753-6228	May not remove from office; copies can be made.	*Additional Reporting Requirements:* Required registration form contains no more information than 990's.
WEST VIRGINIA Attny. General Browning State Capitol Charleston 25305	No 8:30 am-5pm (304)348-2021	None	
WISCONSIN Paul R. Schilling Attny. General's Office Mail: Room 114 East State Capitol Visit: Lorraine Bldg. 123 W. Washington Avenue Madison 53702	No (608)266-3076	None	Files located in reception area. *Additional Reporting Requirements:* Registration required for "testamentary trusts."
WYOMING Office of the Attny. General Capitol Bldg. Cheyenne 82001	No 8 am-5 pm (307)777-7841	May not remove from office or xerox.	

FOOTNOTES

1. Although we were never able to get in touch with Mr. Riley, despite numerous attempts, he did seem to be the person who should have the information.
2. We spent several hours calling Florida and being shuffled from office to office with no results. No one seems to know anything about the 990's. Mr. David Barron, Asst. Attny. General, Room 101, Bloxham Bldg., 725 S. Calhoun Street, Talahasee 32304, (904)488-1891, would appear to be the person who should have the information. He tried to be helpful but didn't seem to know about the 990's either.
3. Our request for information was reportedly passed on to Mr. Hoffmann, whom we were never able to reach.

A GUIDE TO THE APOCRYPHA* OF PHILANTHROPY: STATE FOUNDATION DIRECTORIES

★ ★ ★ ★ ★

By Carol Schulkey

The *Foundation Directory* might be the grant seeker's bible, but, if so, it's only a 10 percent testament. There are over 27,000 foundations in the United States, and the *Directory* only reports on the largest 2,818. What about the smaller foundations in each state that usually fund locally-based projects and organizations? How does one learn about *their* financial status and grant-making policies?

One of the best ways to find out about smaller foundations is by using a state foundation directory. Unfortunately, only 33 states are covered in a total of 34 state, local or regional directories, and the directories vary widely in quality and completeness. But even the worst of the lot provides a great deal of information that could otherwise only be obtained by tediously combing through the required 990 annual reports filed by private foundations.

State directories are published by a variety of agencies. Seven have been prepared by state attorneys general, who have charge of the 990s filed with their state. Other directories are commercial ventures, while some of the most complete ones have been nonprofit endeavors sponsored by cooperating foundations.

Though the information state directories provide is not uniform, most directories list a foundation's name, address, phone number, principal officer, assets, area of interest and sample grants. Details given about the grants vary, some listing recipients of the highest and lowest grants and others merely stating total grants in a lump sum. Several of the better directories also indicate the funding cycle (when the board meets), where (and what) additional information is available to applicants, type of contact preferred, deadline for applications, officers' addresses and employer identification number (which facilitates ordering 990s from the IRS).

The simplest directories merely list the foundations alphabetically by name, but others include various indices of officers, geographical distribution, purposes of grants, ranking by market value or ranking by amounts of grants. Some also provide helpful introductions which define how foundations were chosen for inclusion, suggest further sources of information and tell how to write proposals.

*Christian writings not included in the Bible.

There are several things to watch out for when researching foundations using the state directories:

1. An Excessive Number of Foundations Listed. Having a lot of foundations listed doesn't necessarily make for a good directory. Directories listing thousands of foundations often list everything from the Boy Scouts Trust Fund to the John Doe Trust which contributes $100 to the John Doe Boys' Home every year. This can make grant seeking very time consuming. The better directories often eliminate restricted trusts, zero asset foundations and operating foundations.

2. Missing Community Foundations. Since community foundations are public charities, not private foundations, they are often missed if the editor gathers the information from 990 annual reports for private foundations.

3. Exaggerated or Diminished Worth. When the net worth of a foundation is listed in the directories at ledger or book value, as it often is, it will usually be substantially lower than had it been listed at the more realistic market value.

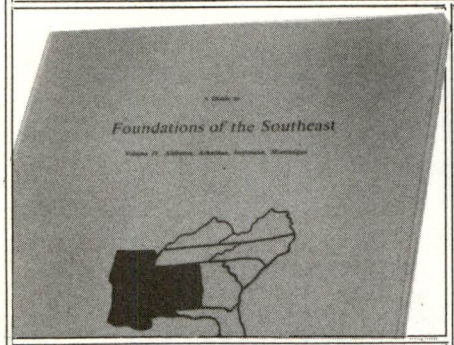
4. Incomplete and Inaccurate Information. Jim Taylor in *New York Foundation Profiles* gets right to the heart of this problem, particularly for those directories which rely on information from annual reports filed with the IRS or the state. He writes: "The greatest source of errors will undoubtedly be the partial and sometimes total illegibility of the returns. This is due to several reasons: returns completed with a pencil, improper film exposure, and just plain sloppiness. Many returns were incomplete. Occasionally an entire page of a return was left off the aperture card. All of these technical problems will likely be reflected in the misspelling of names as well as the reporting of some inaccurate data." State directories that rely on the office of the state attorney general as their source of 990s face the greater risk of completely missing many foundations due to failure of the foundations to send 990s to the state as they are required to.

5. Outdated Information. Be aware of the timeliness of the data in foundation directories. The data currently available was usually collected from 1973 or 1974 tax returns and is thus three or four years out of date. So don't be too surprised if a foundation has dissolved or moved, a trustee has died or there has been a significant change in net worth or in funding priorities.

Keeping these warnings in mind, state foundation directories can be invaluable reference aids. If you don't want to purchase your state guide, you can usually find a copy at the nearest Foundation Center regional collection (see page 43 for more information) or perhaps in a local library. You may also want to look through state directories for some of the major states whose foundations traditionally distribute funds out-of-state, such as New York and the District of Columbia.

Each of the available state foundation directories is reviewed in the following section. Many of the descriptions have been adapted from reviews that have appeared in the *Foundation Directory Supplements, The Foundation News* and *The Grantsmanship Center NEWS* over the past few years.

REVIEWS OF STATE FOUNDATION DIRECTORIES



ALABAMA (126 foundations)
Included in **A Guide to Foundations of the Southeast,** Volumes 1 through IV. Edited by Jerry C. Davis. *Vol. 1:* Kentucky, Tennessee, Virginia, 1975, 225 pages. *Vol. II:* North Carolina, South Carolina, 1975, 200 pages. *Vol. III:* Florida, Georgia, 1975, 200 pages. *Vol. IV:* Alabama, Arkansas, Louisiana, Mississippi, April 1976, 165 pages. Based on 1973 and 1974 990 PF and 990 AR tax returns. *Available from Davis-Taylor Associates, Inc., Route 3, Box 289, Mt. Morgan Rd., Williamsburg, Ky. 40769. $25 each.*

These directories are excellently designed and prepared with care. The foundations are arranged alphabetically by states. For each entry, where available, the following is provided: name, address, phone number, principal officer, other officers (with addresses if different from the foundation's), area of interest and net worth. Net worth is usually taken from the ledger value, which often understates current worth. The Z. Smith Reynolds Foundation in North Carolina, for example, is listed with a net worth of $2 million in 1973. The market value of its assets in that year, however, including two contributory trusts, was $79 million.

The grants data is unusually helpful, including number of grants, their total dollar value, distribution by states and recipient (as well as amount) of larger grants. There is also an index of foundation officers.

Foundations that do not make grants or those with assets of less than $5,000 have been sensibly omitted. Several community foundations which should have been included were missed, such as the Winston-Salem Foundation in North Carolina, the Spartanburg County Foundation in South Carolina, the Norfolk Foundation in Virginia and the Greater Birmingham Foundation in Alabama.

The editor mentions that foundations in Alabama, Arkansas, Louisiana and Mississippi, because they are generally small and locally controlled, support fewer out-of-state organizations than other foundations in the Southeast.

As for Alabama, none of this state's foundations included in Volume IV has assets in the $10 million range. There are only 14 foundations listed with assets above $1 million.

ARKANSAS (104 foundations)
Included in **A Guide to Foundations of the Southeast,** Vol. IV (see Alabama for general and ordering information).

Only three foundations listed for Arkansas have assets above $1 million, and none have assets above $2 million.

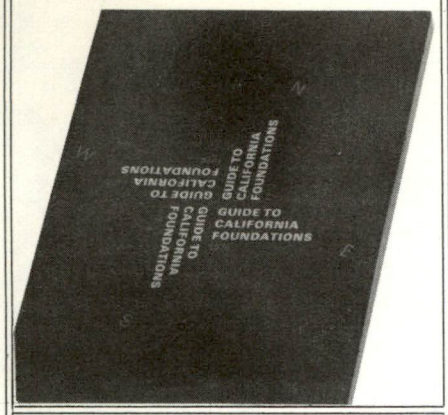
CALIFORNIA (335 foundations)
Guide to California Foundations. Prepared by Susan Clark Robinson, Patricia Tobey and Mary Anna Colwell. Based on data from cooperating foundations or from 1974 records in the California Attorney General's office. 1976, 235 pages. *Published by the San Mateo Foundation, 1204 Burlingame Avenue, Room 10, Burlingame, Ca. 94010. Out of print, but available in many libraries. A revised edition will be available sometime in 1978. For information, write to Northern California Foundation Group, P.O. Box 5646, San Francisco, Ca. 94101.*

The California guide endeavors to cover all private and community foundations which gave $25,000 or more in grants and/or had assets of $500,000 or more, plus a few smaller ones that requested inclusion. Information is unusually complete, even including funding cycle (when board meets), where information is available to applicants, type of contact preferred and deadline for application. Five sample grants are listed for most foundations, along with grant range and total grants.

Brief appendices note sources of additional information, a few suggestions on grant seeking and other sources of funds. The nearest thing to a geographical index is a separate listing of northern and southern California foundations.

CALIFORNIA (13,000 charitable organizations)
Registry of Charitable Trusts. Located at the Wells Fargo Bank Building, 5th Street and Capitol Mall, Room 443, Sacramento, Ca. Public Review Hours: 8:30 a.m. to 4:30 p.m. any normal state workday.

In addition to the *Guide to California Foundations,* California grant seekers can gather information from the Registry of Charitable Trusts. The Registry contains public files on 13,000 active charitable organizations



that have assets or do business in California. The files contain copies of funding documents and current financial reports.

Although all the files are not relevant to grant seekers, a computer print-out that groups the registrants according to their purpose can greatly aid foundation researchers. Within each of the 94 purpose groupings, the registrants are listed by zip code. Entries include financial data, such as total grants. Unfortunately, while a foundation may be active in several areas, it can only be listed once.

The same information is also available from the "Register by Name," which lists all registrants in alphabetical order. After reviewing the print-out sheets, one can peruse the complete files for up to 20 registrants at a time.

The Registry also publishes an annotated scholarship listing providing details on recipient eligibility, and maintains a small library of basic grantsmanship materials.

CONNECTICUT (590 foundations)

A Directory of Foundations in the State of Connecticut. Third edition, 1976, 168 pages, $7 prepaid, otherwise $8. Based on 1973 990 PF and 990 AR returns. Part of the **New England Foundations Research Project.** Edited by John Parker Huber. Series includes Connecticut, Maine, Massachusetts, New Hampshire and Rhode Island. *Available from Eastern Connecticut State College Foundation, Inc., P.O. Box 431, Willimantic, Ct. 06226 (see each state for title, publication information and price).*

The volumes in the *New England Foundations Research Project*, some being in their third edition, have benefitted greatly from their editor's experience in preparing the other editions. The introduction summarizes the content of the volume, suggests sources for further information, distinguishes among types of foundations and makes suggestions for framing proposals. Statistics from the five states are also compared. Sole reliance on IRS 990s has resulted in omission of some foundations through late filings, misplaced records and failure to file.

The new edition of the Connecticut directory now notes assets at market rather than book value. Assets vary from zero to $62.6 million, with 10 foundations having assets over $10 million, 121 having assets from zero to less than $10,000. The two largest are the Charles A. Dana Foundation ($62.6 million) and the Edward John Noble Foundation ($52 million).

DISTRICT OF COLUMBIA (282 foundations)

A Guide to Washington, D.C. Foundations. Edited by Francis de Bettencourt. Based on 1973 990 PF and 990 AR returns. Second edition, 1975, 58 pages. $8. *Available from Guide Publishers, P.O. Box 5849, Washington, D.C. 20014.*

This second edition is very similar to the first, but covers fewer foundations. Eliminated were discontinued foundations, those now classified as public charities, operating foundations and restricted trusts. Included are 73 new foundations. Only six D.C. foundations have assets over $10 million, while 66 have less than $10,000.

The *Guide* usually lists the two largest grants of $5,000 or more given by each foundation. The introduction notes that 52 percent of grant funds given by D.C. foundations went to organizations outside the D.C. metropolitan area. In a helpful index, fields of interest are classified under seven categories. There is also an alphabetical index of all foundation officials named in the directory.

FLORIDA (487 foundations)

Included in **A Guide to Foundations of the Southeast,** Vol. III (see Alabama for general and ordering information).

Three of the foundations listed have net worth exceeding $10 million, while 25 show a net worth between $1 million and $10 million. The rest are smaller, and a few have negative net worth. Florida foundations tend to make grants outside the state more frequently than foundations in other southeast states, probably, states the editor, because persons retiring to Florida still maintain an interest in their native state.

GEORGIA (340 foundations)

Included in **A Guide to Foundations of the Southeast,** Vol. III (see Alabama for general and ordering information).

Fifty Georgia foundations are listed as having net worth exceeding $1 million, with four of these over $10 million. The problem of listing ledger value instead of market value is particularly obvious in this directory. Several foundations have considerably more assets than what is listed, including the Woodruff Foundation (assets listed at $9 million but grants in 1973 were $22 million), Joseph P. Whitehead Foundation and Letti Pate Evans Foundation. The important Southern Education Foundation, chartered in New York with its principal office in Atlanta, is not listed.

ILLINOIS (319 foundations)

Illinois Foundation Profiles. Based on 1973 and 1974 990 PF and 990 AR returns. 1976, 99 pages. One of the four similar volumes edited by James H. Taylor (the others are for Indiana, New York and Ohio), $29.95 each. (The NEWS reported the price of the New York guide as $65 in a review in Issue 21, but the figure quoted on our review copy has since been lowered.) *Available from Davis-Taylor Associates, Inc., Route 3, Box 289, Mt. Morgan Rd., Williamsburg, Ky. 40769.*

These four directories follow the format of the previous Davis-Taylor volumes on southeast foundations. Unlike most guides, which state amount and recipient of the largest grants (and perhaps the smallest to indicate range), these list a subjective sample of grants to indicate foundation interests. Assets are usually given at book value, rather than the more realistic market value.

None of the directories has a geographical index or an index by fields of interest.

The Illinois directory omits foundations with net worth under $400,000 and grants of less than $100,000 annually. It leaves out a large community foundation, the Chicago Community Trust, but includes the W.K. Kellogg Foundation Trust, which made a single grant of $18.7 million to the W.K. Kellogg Foundation in Michigan.

INDIANA (334 foundations)

A Guide to Indiana Foundations. 1975, 111 pages (see Illinois for general and ordering information).

Foundations that are restricted to making grants to certain recipients or

STATE FOUNDATION DIRECTORIES

that have assets less than $5,000 are omitted, as are operating foundations. A large foundation that was omitted is the Indianapolis Foundation, probably because it is a community foundation.

Alphabetization in this directory is somewhat irregular. The Da-lite Screen Foundation, Inc., for example, is listed under "S." The index follows the same strange pattern and is useless in a directory already organized alphabetically.

KANSAS (205 foundations)
Directory of Kansas Foundations. Edited by Jeannine A. Cansler. Based on 1973 PF and 990 AR returns. 1975, 52 pages, $1.25. *Available from the Association of Community Arts Councils of Kansas, 117 West Tenth St., Suite 100, Topeka, Ks. 66612.*

This directory, carefully prepared by the arts councils group with their needs particularly in mind, can also serve as a general guide to Kansas foundations.

There is no size qualification for inclusion, and zero asset foundations are not uncommon. Fourteen of the foundations have over $1 million in assets, the largest being the Dane G. Hansen Foundation ($10.1 million).

The grants information is highly slanted to arts-related organizations, with all grants to arts groups being noted for each foundation. An additional listing of the recipient and amount of the highest and lowest grant by each foundation helps round out the picture of types of grants made. The description of each foundation's major interest is very brief.

KENTUCKY (119 foundations)
Included in **A Guide to Foundations of the Southeast,** Vol. I (see Alabama for general and ordering information).

Kentucky has one large foundation, the James Graham Brown Foundation, with a net worth of $56 million. No other foundations appear to have a net worth of as much as $3.5 million, but seven are in the $1 million to $3.5 million range.

LOUISIANA (172 foundations)
Included in **A Guide to Foundations of the Southeast,** Vol. IV (see Alabama for general and ordering information).

The largest foundation in Louisiana is the Kemper and Leila Williams Foundation, with assets of $14 million. Fifteen other foundations have assets between $1 million and $7 million. Statement of assets at ledger instead of market value, as well as some recent stock-market declines, has probably greatly reduced the apparent size of many of these foundations.

MAINE (62 foundations)
Directory of Maine Foundations. Second edition, 1975, 27 pages, $5 prepaid. Based on 1973 990 PF and 990 AR returns (see Connecticut for general and ordering information).

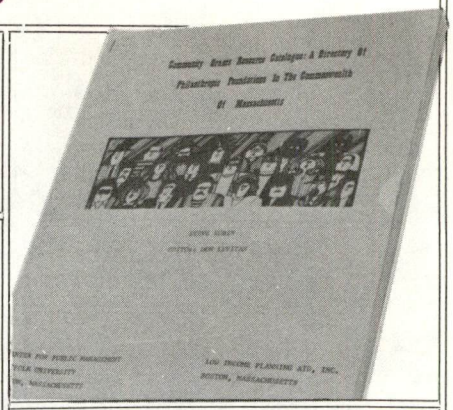
The revision of this directory has improved on the first edition. The foundations are presented in a single alphabetical list, and the definition of a foundation has been tightened. As a result of these changes (and a few dissolutions) the number of foundations has dropped, but the list is now valid and more useful. Market value of assets range from over $2 million down to $14. The volume's four indices are geographical distribution, purposes, ranking by market value of assets and ranking by amount of grants. An appendix furnishes details on three non-Maine foundations which do substantial grant making within the state.

MARYLAND (278 foundations)
1975 Annual Index Foundation Reports. Based on 1975 990 PF and 990 AR returns received by the Maryland State Attorney General's Office. 1976, 33 pages, $3.20. *Available from the Office of the Attorney General, One South Calvert St., 14th floor, Baltimore, Md. 21202.*

The Maryland *Index* limits itself to a minimum of information for each entry: name, address, employer identification number, foundation manager and total assets in book and market value. Purpose is also quoted for a few of the foundations. About 30 of the foundations listed have assets over $1 million.

MASSACHUSETTS (960 foundations)
A Directory of Foundations in the Commonwealth of Massachusetts. Second edition. Based on 1974 990 PF and 990 AR returns. 1976, 161 pages, $15 prepaid (see Connecticut for general and ordering information).

In addition to basic foundation information, this directory includes a 12-page geographical distribution index covering 140 cities and towns and an 18-page index of purpose of grants, divided into 15 fairly arbitrary categories. Also included are



lists of 16 foundations with a net worth of over $5 million and of 17 foundations that made grants of $100,000 or more to a single organization in 1971.

A new Massachusetts directory (see next entry) is less expensive and more up-to-date, rendering this one somewhat obsolete.

MASSACHUSETTS (1,100 foundations)
Directory of Foundations in Massachusetts. Compiled by the Division of Public Charities of the Attorney General's Office. Based on questionnaires mailed to the foundations and required state financial reports. 1977, $7.50. *Write to Carol Fubini, Division of Public Charities, One Ashburton Pl., Boston, Ma. 02108 for an order blank.*

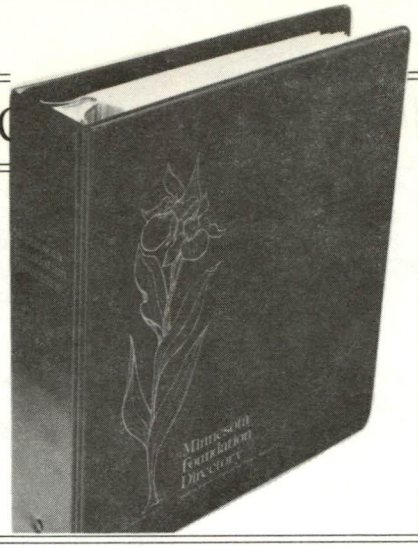
This new directory is a carefully prepared piece of foundation research. It includes those foundations that give total grants of more than $1,000 and that are not restricted to certain beneficiaries.

Foundations are listed and indexed according to whether they give grants to organizations or individuals (or both). Foundations that make grants to organizations are cross-indexed by grant amount, purpose restrictions and geographical restrictions. Grants or loans to individuals are listed alphabetically and further divided into grants for purposes other than scholarships, scholarships by geographical restriction, scholarships by population groups and scholarships granted according to area of study.

According to the editors of the *Directory*, an effort was made to get foundation managers to be as specific as possible about the purposes of their foundations rather than just listing "broad purposes."

MASSACHUSETTS (47 Boston area foundations)

STATE FOUNDATI



Directory of the Major Greater Boston Foundations. Based on 1972 990 PF and 990 AR returns. 1974, 42 pages, $14.95 plus postage. *Available from J.F. Gray Company, P.O. Box 748, Islington Station, Westwood, Ma. 02090.*

This Boston area directory costs more than the new state directory and includes only 47 foundations. It is also rather outdated. Total grants in 1972 or 1973 (except in 10 cases) and names of 30-40 grantees per foundation are provided, but there is no effort to cross-index foundations by major areas of interest.

MICHIGAN (696 foundations)
Directory of Foundations in the State of Michigan. Edited by Janet C. Huber. Based on 1972 990 PF and 990 AR returns. 1974, 123 pages, $10. *Available from the Dunham Pond Press, Storrs, Ct. 06268.*

This directory of grant-making foundations and charitable trusts in Michigan contains information on private nonprofit foundations, community foundations, corporate foundations and charitable trusts. Criteria such as minimum value of assets or amount of grants made are not used, although some significant larger foundations, like the Grand Rapids Foundation, have been omitted.

The directory lists the basic information for each foundation, including the largest grants made during the year. Two appendices index foundations by city and by areas of interest. The introduction provides an overview of foundations making grants in Michigan and tells how to obtain more information.

MICHIGAN (267 foundations)
Michigan Foundation Directory. Prepared by the Council of Michigan Foundations, Michigan League for Human Services and The Foundation Center. Based on 1972-1975 returns. 1976, 70 pages, $5 prepaid. *Available from the Michigan League for Human Services, 200 Mill St., Lansing, Mi. 48933.*

This directory is more up-to-date, comprehensive and selective than the previously mentioned one. It provides detailed, useful information on Michigan foundations with assets of more than $200,000 and grants of more than $25,000, representing "approximately 94 percent of the funding capability of all Michigan foundations." It also includes limited, hard-to-get information on 465 very small local foundations (annual grants of at least $5,000).

In addition to the most basic foundation data, the directory lists time of year that requests are preferred, type of initial contact preferred, types of requests the foundation will consider and whether an application or special format is required. Grant seekers can save time and energy by consulting the list of 20 foundations which meet the $200,000/$25,000 test but limit their grant making to single charities or to scholarships for students in particular school systems.

Forty pages of appendices provide results of a survey of Michigan philanthropy; breakdowns of funding by subject area; listings by city, total assets and grants; and suggestions on how to prepare a proposal and where to get more information. The *Michigan Foundation Directory* is truly a model guide.

MINNESOTA (598 foundations)
Minnesota Foundation Directory. Edited by Beatrice J. Capriotti and Frank J. Capriotti, III. Based on data from cooperating foundations or from 1973 and 1974 990 PF and 990 AR returns. 1976, 274 pages, $225. *Available from Minnesota Foundation Directory, 101 Boy Scouts of America Building, 5300 Glenwood Ave. North, Minneapolis, Mn. 44522.*

The **Minnesota Foundation Directory**, at $225 a copy, is the Rolls Royce of state foundation directories. If fancy printing and easy access to information is what you're looking for, this directory fills the bill. You can also buy ($125/year) additional research and follow-up services.

The information is fairly complete and the cross-indexing is helpful. Unfortunately, no purposes are listed under the grants section of each entry. The corporate foundation listings go into detail about the corporation and its annual report, but fail to say much about the foundation itself.

An additional "Guidelines & Deadlines" section provides information on the dates that foundations meet to review proposals, reproduces sample copies of foundation guidelines and gives biographical sketches of certain foundations and foundation officials.

MINNESOTA (509 foundations)
Guide to Minnesota Foundations. Published by the Minnesota Council on Foundations. Based on 1974 990 PF and 990 AR returns. 1977, 73 pages, $10. *Available from: Minnesota Council on Foundations, Suite 413 Foshay Tower, 9th & Marquette Aves., Minneapolis, Mn. 55402.*

This guide is less complete, but much less expensive than the other Minnesota directory. More than half its listings simply mention the name and address of the foundation and estimate the amount of grants made the previous year. For the other half, the information given appears to be fairly complete.

MISSISSIPPI (68 foundations)
Included in **A Guide to Foundations of the Southeast,** Vol. IV (see Alabama for general and ordering information).

No foundation listed for Mississippi has assets of as much as $1 million.

NEW HAMPSHIRE (138 foundations)
A Directory of Foundations in the State of New Hampshire. Based on 1973 990 PF and 990 AR returns. 1975, $5 prepaid (see Connecticut for general and ordering information).

This second edition is much more usable than its predecessor. The grants information helpfully includes total number and total amount of grants, and lists the largest grants (amount and recipients). It appears that only nine New Hampshire foundations have assets exceeding $1 million.

NEW HAMPSHIRE (approximately 400 foundations)
Directory of Charitable Funds in New Hampshire. Based on 1974-1975 records in the New Hampshire Attorney General's Office. Third edition, June, 1976, 107 pages, $2. *Available from the Office of the Attorney General, State House Annex, Concord, N.H. 03301.*

This directory is more current than the previous New Hampshire entry, less expensive and includes over three times as many foundations. Many of

STATE FOUNDATION DIRECTORIES

those trusts listed, however, only provide scholarships. The funds are indexed alphabetically, geographically and by purpose. Distributions of each foundation's grants are listed by purpose in a convenient chart.

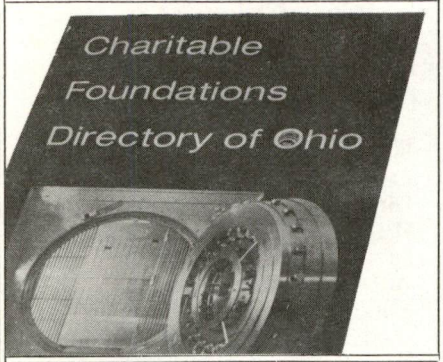
NEW YORK (950 foundations)
New York Foundation Profiles. Based on 1974 and 1975 990 PF and 990 AR returns. 1976, 259 pages (see Illinois for general and ordering information).

The New York book sets a low of $500,000 in assets and $100,000 in grants for inclusion. However, it also intentionally excludes, "Those 50 foundations which represent excellent prospects for the institution with which the editor of this publication is associated . . ."

NORTH CAROLINA (415 foundations)
Included in **A Guide to Foundations of the Southeast,** Vol. II (see Alabama for general and ordering information).

North Carolina lists seven foundations with net worth exceeding $10 million, the largest being the Duke Endowment ($190 million). Thirty-three foundations have net worths between $1 million and $10 million. In one of the few errors detected, the Lineberger Foundation is listed with net worth of $2,021; the correct figure is $2,020,784.

OHIO (2,500 foundations)
Charitable Foundations Directory of Ohio. Based on 1971-1975 records in the Ohio Attorney General's Office. Second edition, 1975, 135 pages, $4 prepaid. *Available from the Office of the Attorney General, 30 East Broad St., 15th floor, Columbus, Oh. 43215.*



The Ohio directory contains a vast list of foundations because of its loose definition of foundation, which allows Boy Scout Trusts, Red Cross chapter funds, trusts wholly devoted to named recipients and a number of foundations with zero assets and grants to be included. Nevertheless, it is more than most attorney generals are doing to make their wealth of information publicly available.

Each alphabetized entry shows, besides the usual data, the name of the individual handling grants, restrictions where stated, trust number and purpose code. A purpose index divides foundations into 12 categories (plus "general" and "other"). A county index provides geographical data and includes 53 out-of-state organizations.

OHIO (254 foundations)
Ohio Foundation Profiles. 1976, 65 pages (see Illinois for general and ordering information).

Foundations giving more than $100,000 or having assets of at least $400.000 are listed.

OKLAHOMA (269 foundations)
Directory of Oklahoma Foundations. Edited by Thomas E. Broce. Based on data from cooperating foundations or from 1971 and 1972 990 PF and 990 AR returns. 1974, 304 pages, $9.95. *Available from University of Oklahoma Press, 1005 Asp Ave., Norman, Ok. 73069.*

This useful, though out-of-date directory provides information about almost all the private foundations in Oklahoma (12 asked not to be included), regardless of size. Though the editor cites, and in general follows, the standard definition of a foundation, his interpretation is liberal. Out of 269 foundations, 167 were reported with assets of less than $100,000. Only five have assets exceeding $10 million.

A helpful introduction summarizes and analyzes the directory's content. In addition to basic facts included for each foundation, financial information is broken down into total expenditures, the portion expended for grants and number of grants. The grants amount is further distributed among six fields and listed in an 8-page "Index of Grant Activities."

OREGON (331 foundations)
Directory of Foundations and Charitable Trusts Registered in Oregon. Edited and compiled by Virgil D. Mills. Based on 1972 records in the Oregon Attorney General's Office. 1973, 76 pages, $5 prepaid. *Available from the Department of Justice, 500 Pacific Building, 520 S.W. Yamhill, Portland, Or. 97204.*

The 331 foundations listed in the Oregon directory are primarily "general purpose grantmaking charitable trusts." Assets range from over $1 million (14 foundations) to the Embran Foundation with assets of $7. Now quite a few years out of date, the *Directory* includes many trusts (about half the book) that only provide scholarships and student loans.

Foundations are listed alphabetically, and each entry includes assets, contributions received and grants. No other grant data is provided.

PENNSYLVANIA (approximately 1,200 foundations)
Directory of Charitable Organizations —1976. Based on records in the Pennsylvania Attorney General's Office. April, 1974 (reprinted in 1976), 149 pages, $10.50 . *Available from the Office of the Attorney General, Capitol Annex, Harrisburg, Pa. 17120.*

The Pennsylvania directory is now in its third printing, thanks to the large number of people requesting it. The introduction acknowledges that the information is more than two years old, but suggests that "The basic information relative to the current year will be much the same."

The *Directory* is divided into two parts: a listing of charitable organizations by purpose (nine categories) and an alphabetical listing and description of each foundation or charity. Standard information is provided for each entry, although no sample grants are cited.

PENNSYLVANIA (1200 foundations)
Directory of Pennsylvania Foundations. Published by the Free Library of Philadelphia. Based on data from 1975 990 PF and 990 AR returns. 1977, 300 pages, $11 prepaid. *Available in November 1977 from Friends of the Free Library of Philadelphia, Logan Square at 19th St., Philadelphia, Pa. 19103.*

This directory should be quite useful, because the foundations are organized into five regions, making it easy to pinpoint immediately your area's foundation. Each profile of foundations awarding $2,000 or more in grants or with assets exceeding $50,000 gives representative grants or an analysis of the grant-making process, interest areas that are supported, telephone number and a

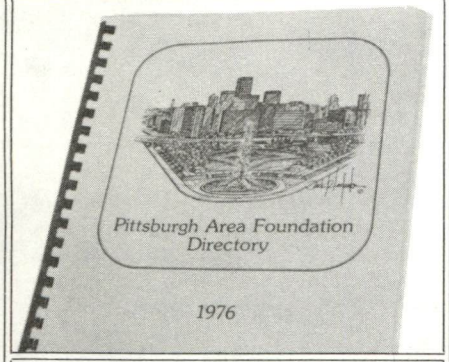
STATE FOUNDATION DIRECTORIES

who's who of trustees, directors and principal officers.

An additional section briefly lists 500 foundations awarding less than $2,000 in grants or making no grants. An introductory article offers guidance on researching foundation prospects and writing grant proposals. Since it uses 1975 data, this directory will be more current than the other Pennsylvania directory.

PENNSYLVANIA (194 Pittsburgh area foundations)

Pittsburgh Area Foundation Directory. Based on 1971-1974 990 PF and 990 AR returns plus additional follow-up and questionnaires to foundations. 1976, 97 pages, $10. *Available from Community Action Pittsburgh, Inc., Planning and Research Division, Fulton Building, 107 6th St., Pittsburgh, Pa. 15222.*



This directory is well-designed and easy-to-read. It contains an alphabetical listing of 194 public, private and family foundations that are located in, or allocate grants to, agencies and individuals in the Pittsburgh metropolitan area. Eight of those listed have assets of $500,000 or more.

The preface suggests that the foundations were thoroughly researched and up-to-date data was collected. The helpful Employer Identification Number (EIN) is listed for each foundation along with a contact person. Number of grants, total grants and high and low grants are listed, but no recipients are named. A "foundation activity index" is rather broad (only 12 categories).

RHODE ISLAND (117 foundations)

A Directory of Foundations in the State of Rhode Island. Based on 1973 990 PF and 990 AR returns. Second edition, 1975, 39 pages, $5 prepaid (see Connecticut for general and ordering information).

This directory includes 11 foundations with assets over $1 million. The four useful indices that were mentioned in the Maine directory also appear in the Rhode Island volume. A final page details gifts in Rhode Island made by two foundations in Connecticut.

SOUTH CAROLINA (131 foundations)

Included in **A Guide to Foundations of the Southeast,** Vol. II (see Alabama for general and ordering information).

In South Carolina, the largest foundation mentioned is the Elliott White Springs Foundation with a net worth of $19 million. Twelve others are in the $1 million to $10 million range.

TENNESSEE (238 foundations)

Included in **A Guide to Foundations of the Southeast,** Vol. I (see Alabama for general and ordering information).

Memorial Welfare Foundation, with a net worth just under $11 million, and the Benwood Foundation ($9 million) are the two largest foundations in Tennessee. Seventeen others are in the $1 million to $10 million range.

TEXAS (1020 foundations)

Directory of Texas Foundations. Compiled and edited by William J. Hooper. Based on 1974 data from cooperating foundations or 990 PF and 990 AR returns. 1976, 180 pages, $10.95 prepaid. *Available from Texas Foundations Research Center, 306 West 29th St., Austin, Tx. 78705.*

Hooper's directory omits the very small foundations, but includes all those with assets over $100,000 or grants over $5,000 in the year of record. Having been designed primarily for fund raisers, several foundation entries include the warning, "Do not contact. Trust indenture provides grants only to . . ."

Information on the date it was organized, names of officers and trustees and amount of assets is lacking. Unfortunately, without amount of assets it is difficult to estimate foundation wealth in Texas or even the size of a particular foundation. Grants sometimes vary radically from year to year, and a foundation that spends from capital or from current receipts, as do company-sponsored foundations, might appear inordinately large or small in a particular year.

The *Directory of Texas Foundations* fails to mention many of the larger Texas foundations, among them such notables as Oldham Little Church Foundation in Houston, Alelia & Herman Lay Foundation in Dallas, Rob & Bessie Wilder Wildlife Foundation in Sinton and Shell Companies Foundation in Houston (which may have been omitted on the technical grounds that it was originally incorporated in New York).

An appendix contains a partial list of foundations that have terminated their activities since 1969, including the H.L. Hunt Foundation. Another appendix lists all Texas foundations by city.

TEXAS (214 foundations)

The Guide to Texas Foundations. Based on data from cooperating foundations or from 1973 and 1974 records in the Texas Attorney General's Office. 1975, 104 pages, $7.50. (includes postage and handling). *Available from the Southern Resource Center, P.O. Box 5593, Dallas, Tx. 75222.*

This guide, which is intended for "community organizations without professional fundraising expertise," presents information on two levels—helpful details for 157 foundations that made grants exceeding $30,000 and more basic information for the remaining 57.

Foundation information is indexed according to large and small foundations in Dallas, Fort Worth, Houston and other Texas cities, which strangely includes the Mabee Foundation in Tulsa, Oklahoma. The guide also includes introductory material briefly defining the kinds of foundations and making suggestions on researching foundations and framing a proposal.

The Guide to Texas Foundations includes only about one fifth as many foundations as the *Directory of Texas Foundations,* and 42 of the largest Texas foundations mentioned in edition 5 of the *Foundation Directory* were omitted in *The Guide.*

VERMONT (41 foundations)

A Directory of Foundations in the State of Vermont, edited by Denise M. McGovern. Based on 1972 990 PF and 990 AR returns. 1975, 24 pages, $3 prepaid. *Available from Eastern Connecticut State College Foundation, Inc., P.O. Box 431, Williamantic, Ct. 06226.*

This directory replaces John Parker Huber's earlier directory of Vermont foundations. The present volume, with

STATE FOUNDATION DIRECTORIES

a tighter definition of foundation, includes 41 foundations as compared with the previous 70. Total assets (market value) of all the foundations are only $16.4 million, grants $634,022.

Four indices organize foundations according to geographical distribution of grants, purpose of grant, asset market value and amount of grants awarded. An appendix lists eight non-Vermont foundations that have made substantial grants within the state.

VIRGINIA (319 foundations)
Included in **A Guide to Foundations of the Southeast,** Vol. I. (see Alabama for general and ordering information).

Virginia has no foundation with assets in the $10 million category. Twenty-two foundations fall in the $1 million to $10 million class.

VIRGINIA (102 foundations)
Virginia Directory of Private Foundations. Edited by the Office of Human Resources, Department of Intergovernmental Affairs. Based on 1974 and 1975 990 PF and 990 AR returns. 1977, 70 pages, $2 prepaid. *Available from Department of Intergovernmental Affairs, Fourth Street Office Building, 204 N. Fourth St., Richmond, Va. 23219.*

In addition to the typical information, this directory includes largest and smallest grants and their recipients, total grants and total number of grants for each foundation. Foundations are indexed alphabetically, geographically and by functional area.

The editors explain how they gathered data and describe the limitations of their sources. Other sources of information, new tax laws of interest, pointers on applying for a grant and a bibliography further assist the grant seeker.

WASHINGTON STATE (458 foundations)
Charitable Trust Directory. Based on 1974 records in the Washington Attorney General's Office, 1975, 92 pages, $3 prepaid. *Available from the Office of the Attorney General, Temple of Justice, Olympia, Wa. 98504.*

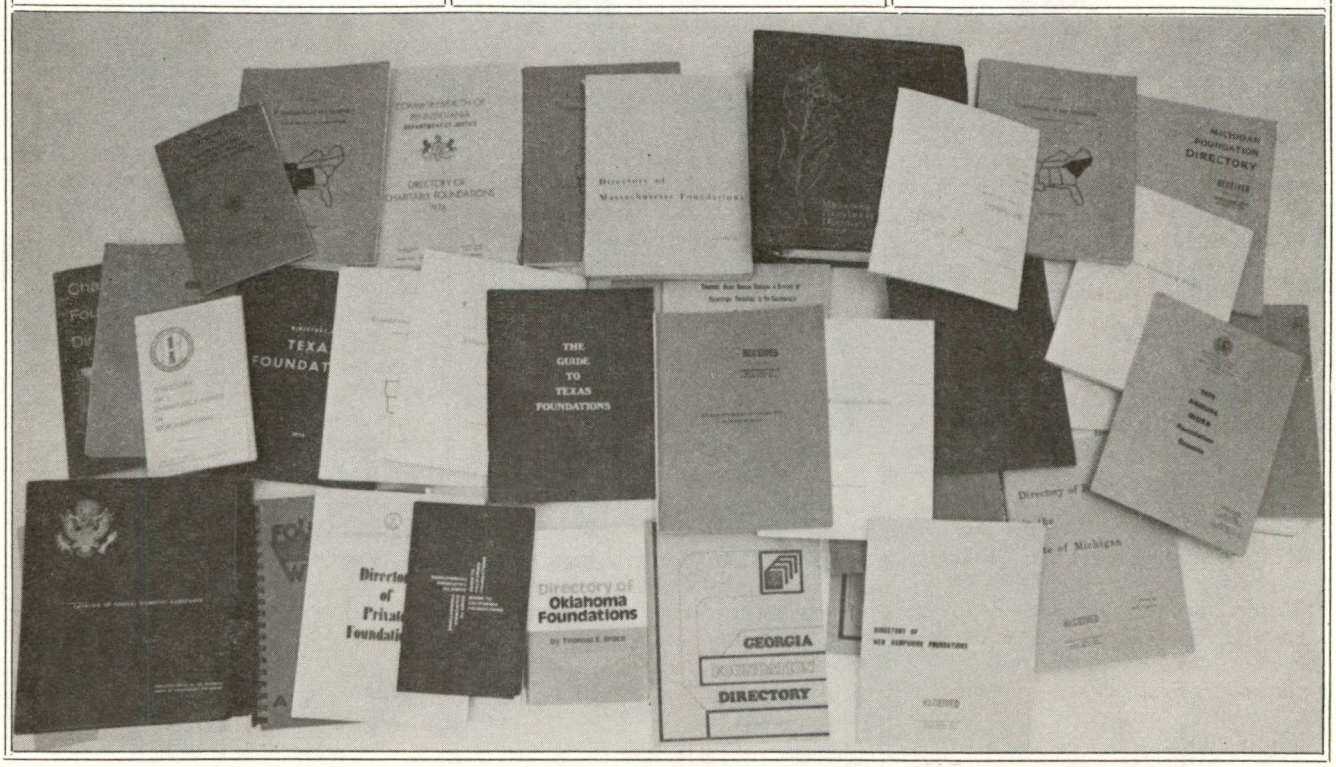
The information in this directory is based on registration and reporting forms gathered by the attorney general's office under the Washington Charitable Trust Act. Reports are presented alphabetically, five to a page. Not all represent foundations, by most definitions, and there is no size cutoff. The standard information is presented for each institution, but in about half the entries, purpose is "general" or not stated and "officers" are frequently the name of a bank or a single officer.

Given the limitation of the source material, research for the directory seems carefully done and is presented clearly and simple.

WISCONSIN (over 700 foundations)
Foundations in Wisconsin: A Directory 1977. Compiled by Barbara Szyszko Fridman and Margaret Marik. Based on 1974-76 990 PF and 990 AR returns. 1977, 227 pages, $10 prepaid (plus 40 cents Wisconsin sales tax or Wisconsin tax exempt no.) *Available from The Foundation Collection, Marquette University Memorial Library, 1415 West Wisconsin Avenue, Milwaukee, Wi. 53233.*

The Wisconsin directory, generally following the Foundation Center's definition of foundation, has come up with a fairly useful computer printout of charitable organizations. There are no size qualifications, however, so assets vary from more than $10 million (three foundations) to none (a substantial number). Asset data is given at market value.

In addition to basic data, entries include total number of grants given and the highest, lowest and median grants. Appendices include an "area of interest" index, a geographical index by county, an index of foundation managers and listings of terminated, inactive and operating foundations.



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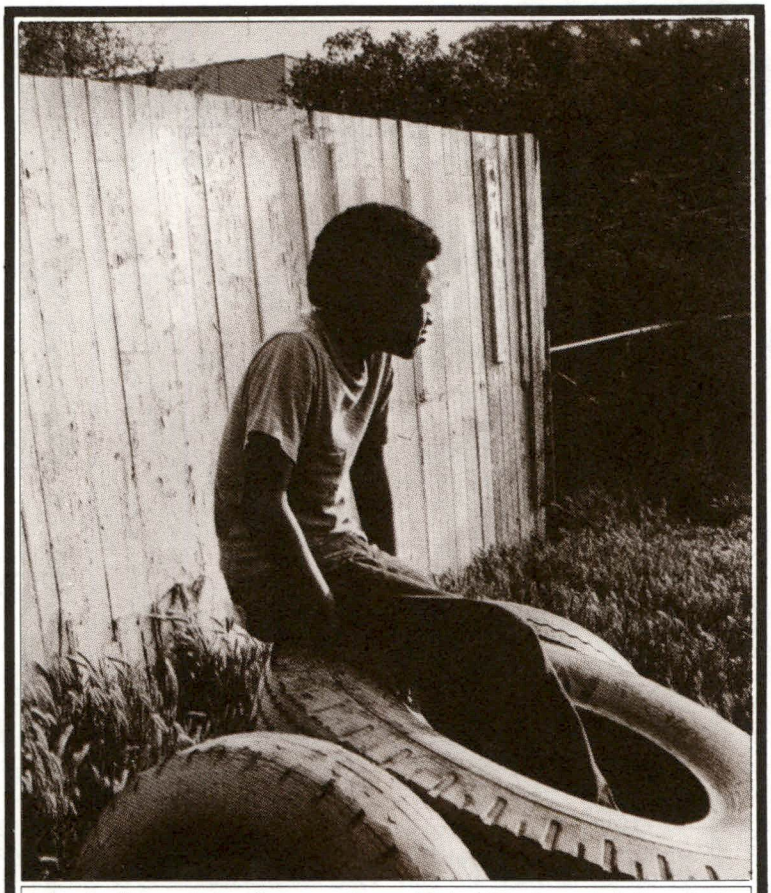
Breaking Through the Maze:
TITLE XX
OF THE SOCIAL SECURITY ACT



This booklet includes three articles on Title XX, the multibillion dollar social service program. The first was written shortly after the Title XX legislation was passed in 1975 and provides a basic introduction to the program. The second article (page 15) was published in June 1977 and discusses the changes that have occurred in the program and the problems that have hindered implementation. The third article (page 21) notes the findings of several studies of Tit le XX that were issued in the summer of 1975. The fourth article (page 22) offers suggestions for preparing testimony for public hearings and filing comments with public officials—often necessary for making an impact on Title XX.

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Broad Goals & Potential Services

TITLE XX

of the Social Security Act

Public Law 93-647

Program will begin October 1, 1975

Each State is "encouraged" to provide services directed at the goals of

1. Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;
2. Achieving or maintaining self-sufficiency, including reduction or prevention of dependency;
3. Preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families;
4. Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; or
5. Securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

Services that are directed to these goals include, but are not limited to:

Child care services ☐ Protective services for children and adults ☐ Services for children and adults in foster care ☐ Services related to the maintenance and management of the home ☐ Day care services for adults ☐ Transportation services ☐ Training and related services ☐ Employment services ☐ Information, referral and counseling services ☐ Preparation and delivery of meals ☐ Health support services and appropriate combinations of services designed to meet the special needs of: *children; the aged; the mentally retarded; the blind; the emotionally disturbed; the physically handicapped; alcoholics; drug addicts.*

Last January President Ford signed the new Title XX of the Social Security Act, ending a two-year struggle over the control and scope of the social services programs authorized by the Act. But the signing initiated a new struggle both to understand the complex but important new law and to obtain some of the $2.5 billion the federal government can use to fund Title XX social services.

Title XX replaces Titles IV-A and VI, which provided such supplemental services as day care, family planning, counseling and transportation to welfare recipients, senior citizens, the blind and the disabled. The services were intended to prevent or reduce the recipients' dependence on welfare.

The new law gives great power to the states to design their own social services programs (though states cannot significantly reduce the overall level of services currently being provided). States along with Congress and many private organizations had fought attempts by the Department of Health, Education and Welfare and the Nixon and Ford Administrations to limit both the types of services that could be supplied under the program and the number of recipients who would be eligible.

The social services program was authorized by the 1947 Social Security Act. The original intent of the program was to provide money to states (on a 75 percent federal — 25 percent state basis) for use in making certain services available to recipients of assistance under the Act. Over the years the Act was amended to liberalize both the types of services that could be funded under the program and the number of people who could qualify (not only present welfare recipients, but past and potential welfare recipients). The effect of the changes was a dramatic increase in federal spending on the program as states began to use social services money for a wide variety of programs. Federal spending rose from $354 million in fiscal 1969 to $1.7 billion in 1972. Projected expenditures for 1973 were $4.8 billion.

Because of these spiralling costs Congress during 1972 set a $2.5 billion ceiling on the program and developed a formula based on population for apportioning the funds to the states. Both the ceiling and the formula will remain in effect under Title XX. However, the regulations developed by HEW to implement the 1972 legislation were so restrictive both as to what services could be provided and who could receive them that Congress, feeling its intent had been deliberately misinterpreted, placed a moratorium on the issuance of regulations, setting the stage for Title XX.

Not only does Title XX allow the states greater latitude in determining what services they will provide, it is much more liberal than the 1973 regulations in defining who is eligible for services. The new eligibility requirements are a response to the argument that the program would be more effective if eligibility for services was based on income rather than welfare status, allowing many low income people to receive services and thus remain off welfare.

The new law requires that only 50 percent of the money be spent on welfare recipients and allows states to provide services to those with incomes up to 115 percent of the median income for a family of four (those with incomes between 80 and 115 percent of the median must pay some fee for services). However, with the $2.5 billion ceiling remaining intact, many of those newly

eligible will still not receive services because of the ceiling.

There are several other significant aspects of Title XX and the regulations implementing it — significant not only to the delivery of services under Title XX but also to the delivery of services under other federal domestic assistance programs.

First, the legislation provides for what former HEW administrator James Twinaime, writing in the Washington Post, said may be a "revolutionary role" for citizen participation. Congress and HEW hope to balance the power of the states in determining social services programs by requiring rigorous public accountability.

States must publish and make "generally available" a detailed annual plan concerning how Title XX money is to be used in the state. Display ads must be published in major newspapers in the state briefly describing the plan and explaining how citizens can obtain copies of it. The public must then be given an opportunity to comment on the proposed plan and the final version must summarize those comments.

And while the Secretary of HEW cannot disapprove of any service a state puts into its plan, he can reject the process a state uses in formulating the plan if the procedures specified by the law are not followed by the states. The law also mandates extensive evaluation of Title XX programs.

Important Features:

* **Virtually unlimited authority for states to develop social services programs of their own design.** The act prohibits HEW from denying payment "to any state with respect to any expenditure" on the ground that it is not a service directed at the goals listed in the act.
* **States do not have to provide similar services to all parts of the state,** except for a very few programs.
* **Expanded, perhaps precedent-setting provisions for accountability to citizens.** States do not have to get HEW to approve what services they intend to offer, but the process used to formulate the plan must be approved.
* **The act extends social services to many persons not previously eligible.** Those with incomes up to 115 percent of a state's median income can now receive services — if a state will allow it.
* **States may now charge fees for services,** even to those with incomes below the state's 80 percent median income. Fees are required for those with incomes between 80 percent and 115 percent.
* **Fair hearings are required for applicants or recipients of services,** who may appeal denial, reduction or termination of services, or failure to act on a request for service with reasonable promptness.
* **Eligibility determinations can be made by provider agencies,** if the state agrees.
* **There are no eligibility requirements based on length of residence in a state or United States citizenship.**
* **Federal funds generated by a private nonprofit organization's donation to the state's matching share can revert back to that organization,** provided it is "an independent decision of the state agency to purchase services from the donor."

The second reason Title XX has broad significance is that the required state plan, besides insuring citizen participation, is intended to help a state coordinate all social programs and thus, according to HEW, "make sense out of the human resources maze." HEW suggests that the planning process gives states an opportunity to "build a new social services strategy which takes advantage of other existing resources and the efficiencies which can be realized by coordinating Title XX services with those of other programs."

Third, Title XX allows for a much simpler and potentially much quicker eligibility determination process than other federally funded social programs. Eligibility determination for other social programs often takes a month and requires extensive checks on applicants. Many states will now be able to determine eligibility in less than ten days.

Fourth, while eligibility is much easier to determine under Title XX, eligibility redetermination must be done much more often than in other programs. Every three months, recipients must resubmit applications to determine whether or not they are still eligible. One county welfare administrator predicted that the regulations would result in a "paper blizzard."

Fifth, the law provides for increased use of private nonprofit organizations as service providers, though private groups have been eligible to deliver social services programs with social security funds since 1967.

"Title XX is going to have some real birth pains in the next couple of years, primarily because HEW is testing out a lot of different things," says a lawyer for a national social service organization. Already many states are out of compliance with the regulations.

One reason is that the process of implementing the new law, like any new legislation, has produced an abundance of confusion. Many of the state agencies that administor the program within the state are unaware of the implications of Title XX and are not prepared to meet the law's many requirements. Many do not have the ability to do the required planning in all

areas of the state and have designated local agencies to do planning and distribute funds in their geographic area. Many of those local agencies have even less understanding of the law. But then even some of the people within the agency in HEW that will administor the program were unsure about aspects of Title XX.

The compressed time periods for implementing the law have not helped. The proposed regulations were published on April 14 with a short period for comment, the final ones were released June 27. The proposed plan for using social service funds that each state must develop had to be finished four days later for the required 45 days of public comment. The final plan must then be completed and everything ready for implementation by Oct. 1, the day the law goes into effect. Many states have held public hearings during the process of formulating their plans for using Title XX money, but because the law is new and many of its implications and requirements are as yet unclear, private social services provider groups and groups representing recipients have not been prepared to affect that process in any substantial way.

Though the states only had to accept public comments until mid-August, the potential for effecting decisions made on the state level has by no means passed. A plan must be developed every year, and thus the struggle in each state over the content of plans will be ongoing. So will the struggle among agencies to get contracts to provide services. Thus understanding the law and its implications is vital.

Costs Not Covered by Title XX

Federal payment will not be made to states under Title XX for such costs as: cash benefits ☐ capital expenditures ☐ free educational services offered by the public schools ☐ medical services available under Medicaid and Medicare ☐ room and board except under special circumstances ☐ child day care that does not meet federal, state and local requirements ☐ sabbatical leaves.

By Thomas T. Whitney

Reprinted from the July- August (No. 12) issue of the NEWS

The Power of the States & The Role of Citizens

Title XX goes further than previous "new federalism" legislation in defining what a former HEW administrator, James Twiname, called a "new, perhaps revolutionary, role for public participation in the process of self-government."

Each year states must publish a detailed report that must be made "generally available" to citizens describing their planning and coordination activities, needs assessment, procedures used to establish priorities and set objectives for the program, who was consulted in the planning, a summary of public comments, who will receive services, how they will be delivered, who will deliver them and how programs will be evaluated.

In this way states must be accountable to the public as never before.

Clearly, however, the decision-making power is retained by state governments. States are "encouraged" (in the language of the law) to develop social services directed at the goals listed in the box on page 42. The only requirements are that a very limited number of services be provided (such as family planning), that at least three services to be designated by the state be made available to AFDC (Aid to Families with Dependent Children) recipients and that at least one service be provided that meets each of the five goals listed in the act.

There is no mechanism in the law to assure that states will not ignore the criticism of citizens.

But states can be very creative in defining how a service meets those goals and the federal government can't challenge their interpretation. The Secretary of HEW is explicitly prohibited from denying payment to "any state with respect to any expenditure" on the grounds that it is "not a service directed at the goals" listed in the Act.

To offset potential abuses of states' power, the regulations explain that the primary purpose of requiring states to publish their social services plans is to provide citizens with "comprehensive and meaningful insight" so they can "interact with the state decision-making process."

Senator Mondale, who introduced the legislation, indicated that the "primary emphasis" in the program planning process is "on involvement of the citizens of a state." The Ford Administration in announcing support for Title XX last September described the legislation as making the "state social services program answerable primarily to the state's citizens."

But the specifics to assure this are vague. States are only required to publish their proposed plans three months prior to the start of a program year and accept public comments for 45 days. Amendments to state plans must be subjected to 30 days of public comment.

There is no mechanism in the law to assure that states will not ignore the criticism of citizens. Although the Secretary of HEW must approve the overall process used to formulate the plan, and can impose fiscal sanctions if the process is inadequate, the language of the law is sufficiently vague to allow states to negate meaningful citizen participation. There are no enforceable provisions to guarantee public involvement in planning and decision-making.

Where does this leave citizens and groups seeking improvement and more equitable funding patterns for social services?

Testifying at public hearings and meetings of boards of supervisors and city councils. Petitioning their elected representatives. Seeking meetings with public officials. Organizing with other groups to monitor state and local government activity. Seeking publicity to inform other citizens. Exerting ballot box pressures.

Politics.

Decision-making at the Local Level

How can citizen activity be focused, to minimize futile exercises? It is usually a long way to a state capital. Because of this geographic reality it is unrealistic to expect that local groups can make effective contributions to a state-wide planning process.

Conversely, many states do not have planning capabilities sufficient to assess local social service needs and service delivery resources.

What the regulations have not clarified and the rush to implement Title XX has obscured is that in many states ad-hoc "planning" activities have already been conducted and funding decisions have been made by the designated local Title XX agencies within the

California Challenges HEW Over Title XX Advertising Requirements

The tough new accountability requirements mandated by the new Title XX of the Social Security Act and the regulations implementing it are being challenged early. Somewhat surprisingly, the challenge is coming from a state with a liberal administration that might be expected to support federal regulation concerned with public accountability.

California Health and Welfare Secretary Mario Obledo has informed the Department of Health, Education and Welfare that the state will not comply with the department's order to repeat advertising about California's social service program, thereby putting $245 million in Title XX funds in jeopardy. HEW instructed 36 states to repeat advertising because there were errors in the ads or because the ads did not meet the new specifications.

Obledo claims that repeating the ads would waste $65,00 in taxpayer money. California expects to be sued, Obledo feeling that it could be the first time a court would be forced to decide whether the federal government has "unlimited control over bureaucratic paperwork" requirements of state and local governments.

Obledo thinks that under Title XX paperwork requirements wil triple "at the very time that federal money for vital services is being reduced." He estimates that the increase in paperwork will cost the state $2 million.

It must be realized that most funding decisions will be made in the planning process and it is there that agencies must attempt to become designated as service providers for the coming year.

geographic areas (usually counties) into which states have divided themselves. (State Title XX agencies can designate local agencies to help develop the state plan and to distribute Title XX funds to that geographic area.)

"In fact, this is kind of the philosophy of the program — that a locale is in the position to know what services it needs and what persons need to be served," said Helen Hamer, Supervisory Programs Specialist at the Community Services Administration of Social and Rehabilitation Services (SRS), the agency in HEW which is administering the program.

Much will depend on the states. In some states, especially in the South, the state welfare bureaucracy will be determining how the money is used in consultation with local United Ways or other social service organizations. The local governments often don't have the knowledge. Other states have powerful county welfare departments which will do most of the planning, leaving a minimal role for private organizations.

States are required to offer services in all political subdivisions of each state, but they are not required to offer the same services in all areas, reflecting the new flexibility in Title XX and the need for consultation on a local level to best fit social service programs to each area.

But most citizen involvement has been focused on affecting the "comprehensive" state plans after they have been developed, which has diverted attention from the point at which most decisions will have been made and where citizen involvement could be most effective — during the early states of the formulation of the social services plan, often at the local level.

Effective participation at this local level will require learning about the local Title XX agency bureaucracy and politics.

Obtaining Funds from Local Title XX Agencies

The process each local Title XX agency uses in deciding who will receive contracts is vital. Most local Title XX agencies will be county welfare departments, but in some areas United Ways or other groups may be designated.

The potential problem with having a United Way as a local Title XX agency is illustrated by the experience of a community in Tennessee. Non-United Way agencies are complaining that the United Way is more concerned with supporting its member agencies than doing an objective analysis of local needs and what groups can best meet those needs.

In Los Angeles County on the other hand, United Way agencies themselves are upset with the local Title XX agency, the county welfare department, which has decided to use virtually all the Title XX funds it controls for its own social services delivery program.

Federal regulations do not offer much help in defining an enlightened process of choosing service providers. Subpart G (page 27364 of the Federal Register, Vol. 40, No. 125, June 27, 1975) describes in detail the terms which must be included in the contract which must be executed with any agency, individual or organization from which services are purchased. (Provider agencies will not receive grants from Title XX agencies but purchase of service contracts.)

But the regulations don't establish guidelines for an open and publicly available application process on the state or local level which could provide equal access by all interested organizations to the available funds.

In many areas of the country contracts with agencies already providing services under Titles IV-A and VI are being rewritten, and there won't be much funding available for other organizations unless the state's priorities change or the total amount of money available increases.

Interested agencies should contact their state's single state agency for Title XX listed on page 53 (preferably by telephone and with a lot of patience) to identify the individual or department in the state or local area who can give clear information about the process of becoming a subcontractor. It must be realized though that most funding decisions will be made in the planning process and it is then that agencies must attempt to become designated as a service provider for the coming year.

Another problem, according to Edward Mitchell, Supervisory Fiscal and Policy Standards Advisor at the Social and Rehabilitation Service (SRS) of HEW (the division of HEW that will be administering the program), is that Title XX agencies may "become so narrow-sighted that they patronize only United Way agencies when there are other providers in the community that can provide comparable services at the same or lower costs."

Private vs. Public Service Providers

Private nonprofit groups have played a role in delivering social services under the Social Security Act since 1967, when provisions for purchase of services from such groups were first written into legislation. Their role has expanded significantly, particularly in some states. In

The regulations don't establish guidelines for an open application process which could provide equal access by all interested organizations to the available contracts.

Washington, for instance, approximately 30 percent of social services will be delivered by private nonprofit groups next year.

A new part of Title XX is a requirement that states disclose procedures for evaluating service delivery programs. This could allow comparisons of the relative effectiveness of public and private nonprofit agencies, hopefully improving both and perhaps providing private organizations with an argument for obtaining more funding.

But this will require public pressure. Service contracts must now include information that can be used to measure performance, and the results of such evaluations must be included in the annual state plan and report. But will that information be used to determine who receives funds? Not necessarily, and thus a public agency's natural bias toward itself and other public agencies is not directly curtailed by the new evaluation provisions.

Many Title XX agencies will themselves be providing direct services, and since they don't have to develop service contracts for themselves, there doesn't seem to be any way to monitor their effectiveness. And there is no way to directly compare the quality of their services with private subcontractors.

SRS says that they are concerned with evaluation and will themselves evaluate state Title XX agencies. But the government has not developed adequate evaluation procedures.

For instance, there hasn't been an explanation of what an adequate needs assessment is, or how an agency can justify purchase of service from private agencies. HEW hasn't determined how to compare the relative quality of services provided by public as opposed to private service providers.

HEW will probably be releasing guidelines on these issues soon, but at least for the near future public agency service providers will probably continue to dominate social services delivery in many areas.

Middle Income Citizens Can Benefit

Title XX requires that 50 percent of the federal matching share be used for services to benefit persons on or eligible for welfare. But the new eligibility criteria allow people with incomes up to 115 percent of a state's median income (or the median income of all states, whichever is less) to also receive Title XX services. This has put added pressures on a limited amount of money which has already been significantly devalued by inflation. Thus there may be even less money for low income citizens.

California and Washington are among the states resolving the dilemma by continuing to limit services to residents whose incomes are less than 80 percent of the state's median income — much to the dismay of those representing people who are now eligible.

A welfare mother explained the problem quite clearly at a public hearing on Title XX in Los Angeles: "If I get a job, I'll be making over the 80 percent limit so I can't qualify for day care. My day care expenses will then become so much that I can't afford to keep my job. I might as well stay on welfare. I can make more money, get day care and my medical expenses taken care of, too."

The many day care providers and parents at that hearing were also very concerned about the optional education component in child care services which California does not plan to include. Parents complained that they didn't want "mass baby sitting."

Government officials anticipate that child care services will become one of the chief services provided under Title XX and that it will be the service that those newly eligible for social services will be most often receiving.

Union spokespeople were also present and testifying (mostly about child care), representing a potentially large constituency which could benefit from the expanded eligibility.

Eligibility Determination: *"irreducible minimum" or "administrative nightmare?"*

How would you like to wait in line all day at a welfare office to fill out a six-page form to apply for Title XX social services? And then wait 30 more days to see if you are eligible?

Those who wrote the regulations for Title XX don't think all that is necessary. Others are not so sure, but their concerns may be based more on past experience with eligibility determination for income maintenance payments than on the new regulations.

"What is required for Title XX is a far cry from public welfare eligibility," explained Michio Suzuki, acting deputy commissioner of the Community Services Administration at SRS. "We feel we've reduced it to the irreducible minimum short of a declaration system of eligibility determination — where you simply take a person's word for it."

What is required is that each potential service recipient fill out an application, which should include "all information necessary to establish eligibility." Each Title XX agency will develop its own form since each state can determine its own eligibility criteria within the liberalized federal guidelines. Those guidelines also allow an applicant to fill in the form at the service

What is required for Title XX is a far cry from public welfare eligibility. We feel we've reduced it to the irreducible minimum.

provider agency, which would eliminate much of the wait that would occur at a welfare office.

The determination of whether an applicant is eligible will be made by the state Title XX agency, the county welfare department (which will often be the local Title XX agency) or the provider agency itself, if the state agrees. Allowing the provider agency to determine eligibility is a major change.

SRS wanted to make the process of eligibility determination less time consuming. A determination must be made within 30 days. SRS wants it to take less than 10, and wrote into the regulations a provision that may encourage faster determinations: if a decision is reached within 10 days, federal funds can be used beginning with the date of application. If it is not made within 10 days, federal funds cannot be used until the date of determination. Thus if services are provided from the date requested, the state would have to pay for them until eligibility is determined unless it speeds up the process.

Quick determination is vital in many situations. If a person applied on a Thursday for day care services needed for a job that started the next Monday, waiting 20 or 30 days would be impossible. Jobs do not wait. Many provider agencies are still concerned despite SRS's acknowledgement of the problem.

Much will depend on who makes the determination. One official from a large county suggested that if the county welfare office makes the determination it will take at least 20 days. Others feel that many states can make an eligibility determination within 10 days. "Title XX would be justified just on the basis of how they wrote eligibility," said a United Way official."They provided a great deal of flexibility and allowed for a quick check to determine eligibility."

That quick check involves "sufficient information or documentation obtained from or on behalf of an individual which would lead a *reasonable person* to conclude that the criteria have been met." (emphasis added)

This is a significant change from eligibility determination for the welfare program. For that program a person determining eligibility must check everything an applicant says about his income, assets and living situation. For instance, the applicant's employer must be called to find out if the applicant is lying about his income.

With Title XX all that is required is a pay stub or tax return to determine income, a welfare check to determine welfare status.

Some people are still worried though about the issue of privacy. The regulations require that states maintain a basic data file on each individual service recipient which will contain information about the recipient, basis for eligibility, services provided, goal to which services are directed, provider agency for such service and "such other data as the Secretary may from time to time require." SRS put the requirement into the regulations because of the federal government's desire for accountability. However, not only does such a requirement have a potential for invasion of privacy, it requires a great deal of time and paperwork. And it is not the only requirement that will necessitate the latter.

While eligibility determination has been simplified, it must be done much more often. One of the most important changes between the proposed regulations and the final ones was the requirement that eligibility be redetermined every three months. One person in a county welfare office predicted a "paper blizzard." Another called it an "administrative nightmare."

Somewhat ironically it was the states that had requested the three-month requirement. The proposed regulations had left it to the states to decide how they would determine if a recipient was still eligible. But because states must repay the federal government when non-eligible people have received services, many states wanted a specified period for redetermination.

Service providers, recipient groups and some states have complained about the problem of having to constantly process applications and reapplications. New York estimates that it will cost the state about $9 million a year just to redetermine eligibility. SRS says, however, that they have received only a few formal complaints about the issue, those coming from groups like the American Public Welfare Association, which represents county welfare officials. Thus they are not now contemplating changes in the redetermination section.

One other issue involving eligibility determination concerns automatic group eligibility. Over 1,500 senior citizens demonstrated in New York City over the issue, claiming that all senior citizens should be eligible and that their applications shouldn't have to be considered individually. SRS feels that it does not have the statuatory authority to allow group eligibility.

Funding for Training

Could Title XX be a significant source for increased funding to a state's educational institutions, or for your own education activities?

Possibly, if the institution is interested in social services or you are an employee of a state or local Title XX agency or a service provider organization.

There is no limit on the amount of money a state can use for training. But like all Title XX funding, states do have to match the money with a 25 percent share, which can come from a state appropriation, other state agencies or private sources.

There are two kinds of funding for Title XX. One called "ceiling" money, has a limit of $2.5 billion and is to be apportioned to the states on the basis of population. Then there is training money, an "open ended"

There is no limit on the amount of money a state can use for training.

appropriation which has no ceiling. States can spend it to the extent they can match it. All social services programs used to be funded in this way (See "Cornucopia Controlled," Issue 10, The NEWS).

The lack of any ceiling on training money is fortunate for states already using their maximum federal allotment of social services funds (mostly the larger, urban ones). They can draw on the open-ended money for training and thus not reduce money available for direct social services. (States not using their maximum can draw training money from their apportioned Title XX allotment.)

An explanation of how a state intends to use its training money does not have to be included in the state's published social services plan, thus training expenditures are not open to public comment. States will be required to submit a training plan to SRS at the beginning of a program year so that federal regional staff can provide technical assistance, if needed. But a state need not follow the plan, and could add to it during a program year. The plan does not have to include financial information, thus states have potentially great flexibility in this area.

Title XX training funds can be used for either short or long-term training programs conducted by the agency providing services or by another organization. The money can also be used to pay the costs of sending individuals to an educational institution to obtain skills related to the provision of social services.

GRANTS TO EDUCATIONAL INSTITUTIONS

Grants are available to educational institutions for periods of up to three years for developing, expanding or improving the training of state or local Title XX agency employees, service delivery personnel from provider agencies with service contracts, or persons preparing for employment with a state Title XX agency. Grants are available to other agencies for training as well.

Each program of instruction must contain some Title XX students, and it can qualify for a grant as long as the curriculum is directly related to the provision of Title XX-funded social services.

The potential uses of the training money are as broad as the range of social services a state chooses to offer. If a state decides to develop a program teaching low income people about nutrition, an educational institution conceivably could get a training grant to teach service delivery personnel how to teach nutrition. Or it could develop a masters program in nutrition program administration.

"We are providing money to schools and universities to develop, train and retrain persons for employment in a Title XX agency," explained Pauline Godwin, special assistant to the Commissioner of SRS. "The idea is that agencies would be asking a school to help develop a program of instruction that is needed by those students.

"It is quite possible for a state to work out a grant that may be for three years. In the first year the institution might develop curricula. The second and third year would be for classroom instruction.

"If there were five courses for which Title XX was paying faculty support, there would have to be Title XX students in each one of those classes," Godwin cautioned. "We don't, however, say the number and we don't say it has to be exclusively for those students."

Educational programs must be evaluated by the close of the second year by a three-person team — one from the institution, one from the state, one from SRS.

State institutions may benefit most from the Title XX training money. Since the state already funds public colleges and universities, the state could reallocate some of its expenditures for higher education into Title XX training programs, meeting the matching requirement for obtaining federal support and thus multiplying money the state had already committed itself to spend.

Private education institutions could not perform the same feat according to the regulations. Though private organizations and institutions can make donations to help a state meet its 25 percent matching share requirement and the combined federal-state funds can revert to the donor organizations, the regulations state that a donor cannot specify which institution will receive the funding generated by their contribution. However, agreements have been made between states and private donors, as discussed in a following section.

Each state will be developing its own training plans and contract procedures. Interested schools and training organizations should contact the state Title XX agency to identify the individual responsible for training grants for more information.

FINANCIAL ASSISTANCE TO INDIVIDUALS

If you work for a Title XX agency and are involved in the direct provision of social services or in administration, you can get salary, per diem, tuition, books and supplies, dependency allowances and travel expenses.

With the exception of salary, employees of agencies that have contracts to provide Title XX services can also receive similar assistance, as long as the training program lasts at least eight consecutive weeks. Assistance is less extensive for training programs of shorter duration.

Training must be directly related to the provision of Title XX social services, and can include in-service and both short- and long-term undergraduate or post-graduate training at educational institutions.

State budget estimates for fiscal 1977 will be submitted within the next few months. Now is the time to develop strategies to increase state Title XX appropriations.

Training grants are also available to volunteers "attached" to a state Title XX agency and involved in the provision of direct services, persons preparing for employment with a Title XX agency and, in some cases, individuals who have contracts to provide services.

While the federal regulations provide for such financial assistance to students, it will be up to each state to determine how it will handle training. Since training plans and programs do not have to be published by the states, it may take some digging by providers and personnel within the state Title XX agency to find out what is available . . . or what could be available.

Students who are trained for longer than eight weeks must sign a legal agreement obligating them to work in a Title XX program at least for the length of the time of their training.

"If a state provides an MSW (Masters in Social Work) to a bunch of people and these people don't go back and work for the state, the state will be penalized and forced to give back this money, so I think states will be cautious about who they give this money to," said Helen Hamer at SRS.

More Money for Social Services

There are two ways that a general increase in the amount of Title XX social services funds could be realized — the $2.5 billion ceiling could be raised or the $335 million apportioned to but not being used by certain states could be reallocated to states that need the money.

A few years ago there was no limit on the amount of federal matching money a state could get for social services. The Administration and some members of Congress began to worry about "runaway" social services expenditures and finally succeeded in legislating the present $2.5 billion ceiling.

Many states are now using their maximum allotments and there is pressure from them to increase the federal ceiling. Last year 11 states used their full allotments. In fiscal 1976, 23 states have estimated that they will do so.

Some states have asked that money unused in other states during a year be reallocated to states that could use it. This would require Congressional action, which has not been initiated.

There has also been an attempt to, in effect, decrease social services funding by reducing the federal matching share. Title XX requires the federal government to provide 75 percent of the costs of all social service programs except family planning, for which there is a 90 percent federal requirement. President Ford, in his budget presentation to Congress, called for a reduction in the federal share to 65 percent, which would reduce federal social services spending by an estimated $450 million in fiscal 1976. A bill to allow such a cutback has not yet been introduced. The Administration would also like to severely limit Title XX training expenditures by requiring that only short-term in-agency programs be eligible for federal funding.

HOW TO GET $350 MILLION MORE FROM THE GOVERNMENT

There is another way for many states to increase social services funding that would not require action by a Congress wary of increased spending.

Nearly $335 million in social services funds available to 27 states in fiscal year 1976 will not be used. (Last year over $600 million was not used.)

The reasons for that may be as numerous as the states, as one HEW official said, but they seem to fall into a few general categories.

Some governors (for instance, Virginia's) say that their states simply can't afford the 25 percent match because they're "broke." In many other states, legislatures have not been enamored with social services. Before Title XX, Arizona had never funded adult social services (the last state not to). It will now, though it will use but $4.1 million of the $24.5 million it could get.

What can you do about it?

First, one must be aware of the timetable of a state's budget process. The problem is quite clear in Mississippi where the legislature only meets January through March. "We were caught flat-footed by Title XX," said a planner in the state. "We didn't know about it early enough."

In larger states the problems are similar. Budget estimates for fiscal 1977 of the various departments within a state will be submitted within the next few months. In the 27 states in which increased state appropriations could help the state receive its full federal Title XX allotment, it will be necessary to get the changes in the budget as it begins its journey (November in most states) through the legislature and the governor's office. Now is the time for groups in those states to plan strategies.

Close analysis of state social services plans will be necessary.

There are some other possibilities. A state's 25 percent matching share can come from a variety of sources: direct appropriation by a state legislature; funds from other public agencies; pro-rated value of goods or property provided by a public agency for use during a program; (take a deep breath) other federal funds which can be used to match other federal funds

$335 Million Will Not Be Used for Social Services in Fiscal Year 1976

This table shows each state's Federal social services allotment for FY 1976, how much each state has estimated it will use, and the amount it will not use. All amounts are in millions.

STATE	FY 1976 ALLOTMENTS	EST. FY 1976 USE	EST. UNUSED
Alabama	$ 42.25	32.90	9.35
Alaska	4.00	4.00	
Arizona	24.50	4.12	20.38
Arkansas	24.25	8.70	13.55
California	245.50	245.50	
Colorado	29.00	29.00	
Connecticut	36.75	36.75	
Delaware	6.75	6.53	.22
District of Col.	9.00	9.00	
Florida	91.50	91.50	
Georgia	57.00	56.37	.63
Hawaii	10.00	10.00	
Idaho	9.25	9.25	
Illinois	133.75	133.75	
Indiana	63.25	16.97	46.28
Iowa	34.50	30.81	3.69
Kansas	27.25	19.81	7.44
Kentucky	39.75	39.75	
Louisiana	44.75	37.24	7.51
Maine	12.25	11.74	.51
Maryland	48.50	48.50	
Massachusetts	69.25	69.25	
Michigan	107.75	107.75	
Minnesota	46.50	46.50	
Mississippi	27.25	7.20	20.05
Missouri	56.75	26.91	29.84
Montana	8.50	8.46	.04
Nebraska	18.25	18.25	
Nevada	6.50	3.26	3.24
New Hampshire	9.50	8.39	1.11
New Jersey	87.75	87.75	
New Mexico	13.25	12.94	.31
New York	217.50	217.50	
North Carolina	62.75	41.73	21.02
North Dakota	7.50	5.14	2.36
Ohio	127.75	55.57	72.18
Oklahoma	31.75	31.75	
Oregon	26.50	26.50	
Pennsylvania	141.75	135.21	6.54
Rhode Island	11.50	11.50	
South Carolina	32.50	24.19	8.31
South Dakota	8.25	4.94	3.31
Tennessee	49.25	27.16	22.09
Texas	140.50	130.17	10.33
Utah	13.75	8.35	5.40
Vermont	5.50	5.50	
Virginia	57.25	33.37	23.88
Washington	40.75	40.75	
West Virginia	21.50	15.81	5.69
Wisconsin	54.50	54.50	
Wyoming	4.25	4.25	

These estimates were obtained from the Community Services Administration of the Social and Rehabilitation Service at HEW.

It is a rather serpentine area of the law, one where reality and legality are not always in accord.

which are not already being used to match other federal funds; or funds from private sources.

Cities and counties might be encouraged to contribute or increase their contributions to a state's social services allocation. Such a contribution could be restricted so that the federal funds it would generate would be used within the city or county, if the state would agree to it. Thus a city or county could potentially get a particular social services program by paying only 25 percent of the cost. A bargain at any price, as the saying goes.

PRIVATE SOURCES OF A STATE'S SHARE, OR, *Can a Nonprofit Organization Quadruple Its Money?*

In the past, private sources of state matching shares have totaled about 10 percent, mostly from United Ways. Foundations have not yet been very active in this area, but Ford and Rockefeller Foundation grants were used in Louisiana to match federal funds for family planning services.

Can more private sources be directly encouraged to contribute to the matching share of states which are not using their full federal allotments? Or, for that matter, could private organizations in any state contribute to the state's matching requirement and by so doing realize increased funding for themselves?

It is a rather serpentine area of the law, one where reality and legality are not always in accord.

The law requires that any privately-donated funds be transferred to the state or local Title XX agency and be "under its administrative control." Private donors can restrict the use of donations in only broad ways. They can specify that the money be used for certain *services* (but only generally, such as "child care" or "transportation for senior citizens"), for *administration* (a study of day care needs in Pocatello, for instance) or for *training*, as long as the donor is not a sponsor or operator of a program to provide the services specified. And donors can indicate the geographic area in which services are to be provided ("Pocono County," but not a specific address).

The intent of the law is to prevent organizations from making donations that would revert back to them directly. But those who wrote the regulations did not want to discourage potential contributions and thus if a nonprofit organization (or an Indian tribe) which is a service provider donates funds, those funds can revert back to the organization *if* "it is an independent decision of the state agency to purchase services from the donor." Under the old law privately-donated funds could never revert to a donor who is also a service provider.

According to an official at SRS the emphasis on independent decision was added both to maintain the authority and responsibilities of the single state agency and to reduce the pressures on state welfare department personnel, who complained that allowing donated funds to revert back to the donor without putting a strict limitation on how that could happen would expose them to intense pressures from donors.

"Many felt that everybody who makes a contribution or has any political pull at all is going to be climbing up their backs to get services purchased from them," said Edward Mitchell at SRS.

State officials in Tennessee, for instance, told a nonprofit organization delivering services to senior citizens that they would be happy to get a $5,000 contribution from the organization. They would like to see the state's federal allotment increase by $15,000, but would not "in any way, shape or form" assure the organization that it would get the combined $20,000 back for the program it wanted to conduct. A nonprofit health planner in the state said he could raise "all kinds of private matching money" if the state were more cooperative. Tennessee will use only $27 million of its $49 million federal allotment during this fiscal year.

But couldn't such a state, in full possession of its independent decision-making power, itself initiate a written agreement with potential donor organizations to purchase services from them?

"Absolutely not," said an official at SRS. "That cannot be a condition of a donation on either side. The money is to be used to purchase services from a donor only as part of a real planning process."

But many are not so sure. Determining what is a real planning process is difficult,explains the official from United Way. "You have to understand that there is an existing reality which goes on in respect to these funds.

"Let's say a United Way donates some funds for day care services, making payments to the state monthly. It 'suggests' that Center X is particularly good in this area. If the state then purchases services from Center X that is within the law. If Center X doesn't receive the funding the United Way could simply cut off the contribution or not make future contributions.'

Any nonprofit organization can potentially have their donations revert back to them he feels. The key is close relationships with Title XX agency staff.

"When you are trying to understand how the system operates you have to realize that it is a two-way street. Many states, particularly those in the South, rely on local United Ways to give them a handle on the social service problems of an area. Local government often plays a minimal role in planning, they just don't have much expertise.

"But these are long-term relationships, and if a United Way capriciously cuts off funds it will be difficult for them to get what they need the next year. There is a balance on how much influence private agencies can have."

It is easier for United Ways to "specify" where its contributions should go since the final regulations specifically state that voluntary fund-raising organizations like United Ways are not to be considered service providers or sponsors. Thus, by law, United Ways are not recipients of funds generated by a United Way donation which go to a United Way member agency. As long as their boards are not interconnected, United Way member agencies are considered autonomous. "The law practically gives United Ways carte blanche," says the United Way official.

One government official admitted that it was difficult even under the old regulations to enforce the law.

"Our auditors in some instances have questioned some of the handling of private funds and have attempted to determine whether there were some under the table agreements made, and it's pretty difficult. What we end up with is if the rates are reasonable and comparable to rates for services of other vendors, if the service provided is considered to be of quality comparable to others, we drop the question."

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NCCA Special Report on Title XX, May 1975. (Research and Information Dept., National Center for Community Action, 1711 Connecticut Ave., N.W., Washington, D.C. 20009)

TITLE XX SINGLE STATE AGENCIES

You can obtain copies of your state's Title XX plan from the appropriate single state agency listed here. Final state plans will be available by October 1, when the program begins.

Alabama
Mrs. Julia Oliver, Commissioner
State Dept. of Pensions and Security
64 North Union Street
Montgomery, Alabama 36104

Alaska
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Arizona
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State Dept. of Economic Security
1515 West Jefferson
Phoenix, Arizona 85005

Arkansas
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Dept. of Social and Rehab. Serv.
406 National Old Line Ins. Bldg.
Little Rock, Arkansas 72201

California
Mr. Mario Obledo, Secretary
State of California Health and Welfare Agency
915 Capitol Mall, Room 200
Sacramento, California 95814

Colorado
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Delaware
Mr. Earl McGinnes, Secretary
Dept. of Health and Social Serv
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New Castle, Delaware 19720

Florida
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*At the time of compilation, the State had not designated a Title XX agency.

Title XX Social Services:

MANY CHANGES, MANY PROBLEMS

By J.T. Tokarz

Reprinted from the April-June (No. 20) issue of the NEWS.

In October 1975, Title XX of the Social Security Act became operational with hopes that it would usher in a new era of citizen participation in the delivery of social services. In the year and a half since its inception, the multibillion dollar program has proved to be somewhat more, and somewhat less, than expected.

Title XX is another step in the long evolution of federal funding of social services, an evolution that dates back to the 1947 Social Security Act. That act moved the federal government into a broad range of social welfare programs that now includes, in addition to Social Security, Medicaid, Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) and Medicare. The act also authbrized a limited amount of federal funds to pay for social services that states provide recipients of assistance under the act.

But over the years the program has grown considerably in size, number of people covered and types of services provided. Now, virtually anything that states term "social services" is eligible for federal funding (called federal financial participation or FFP), and recipients do not necessarily have to be recipients of some form of financial assistance. The only practical limits are program regulations and the ceiling each state has on how much money it can recieve.

The services that can be funded under the program include family planning, foster care, day care, transportation for the elderly, interpreter services and scores of others. Services can be provided by both public agencies and pri-

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How to Obtain Title XX Funds

Probably the most important determinant of success in obtaining Title XX money for new services or new providers is whether the state has reached its ceiling for Title XX expenditures. States having money to spend have an entirely different philosophical bent than those that don't.

According to Jerry Bartlett, budget officer for the Public Services Administration in HEW's Office of Human Development, fiscal 1977 estimates show between 23 and 33 states at or very close to ceiling and the rest relatively far below ceiling. However, he notes that states' actual expenditures often lag behind their projections, so it won't be until the end of the fiscal year before the final count is known.

Thus, the first step in getting Title XX money is determining if your state is using all of its allocation. The fiscal section of your state's designated Title XX agency (usually the welfare or social services or human resources department--see list in previous NEWS article on Title XX) is the logical place to start, but don't be surprised if their answer is less than complete--their plans and the reality may be totally different. For example, Indiana planned to spend its full allocation this year but HEW now predicts it will fall $58 million short. And though Virginia allocated its full $57 million share in its Title XX plan, it will be about $10 million under at year's end (the chart on page 44 indicates how much of its allotment each state spent in fiscal 1976).

If your state is at or close to ceiling, you probably face a long struggle to get funds because existing operations generally get first priority. And the situation is even worse in states that do not traditionally purchase services from private agencies but instead use federal funding to finance state and local welfare departments. In "ceiling" states, therefore, the name of the game is organization and politics. Form the most powerful group possible to support your program and start lobbying with legislators and the state agency.

Because the status quo tends to win out in "ceiling" states, the place to start the attack is the planning process. Ceiling states have little incentive to do meaningful needs assessments since they might disrupt existing service patterns, so a thorough documentation of particular needs and available services is essential.

If the state agency can be persuaded that its current program should be modified, much of the battle is over, so circulate the needs assessment within the state and use it at local and state comment proceedings (see previous NEWS article). And if that isn't enough, legislators are always good to educate and enlist, particularly where the legislature appropriates the states' matching funds. Remember, in ceiling states, the dollars you're looking for are someone else's right now, so interest-group politics is necessary.

Of course, needs assessments and public comments aren't enough—a viable service provider has to be available. If you want it to be your agency, indicate how well it can work in the state's Title XX system or how easy it would be to adapt it to do so. If none is available, create one for Title XX and design it around the regulations. State agencies want to know that identified needs will be effectively met without audit problems.

Things should be smoother in non-ceiling states, and many of the basic steps remain the same. Title XX is likely to be much less political in non-ceiling states because you're dealing with an untapped pot of dollars rather than someone else's funding.

The key to approaching these states is probably match money. If a state is below ceiling, it isn't because there aren't service needs. Rather, it's usually because public and/or private agencies aren't interested enough to raise and donate the necessary matching funds. Thus, the first thing to do in non-ceiling states is get your match money, which could come from local governments, the state legislature, United Ways, foundations or other community groups.

(The regulations prohibit the state agency from agreeing to fund an organization because it can produce the matching share. Instead, the agency must make an "independent decision." However, if you have a good needs assessment you can probably persuade the state agency to make an independent decision.)

With match money in hand, the state agency's receptiveness to needs assessments, public comments and proposed service programs should remarkably increase. This is not to say that careful research and planning are not important. However, the availability of match money will inevitably point a state agency towards your proposal.

(If you are interested in obtaining Title XX funds, you should get a copy of the regulations. You can look up the January 31, 1977 *Federal Register* in the library and copy the regulations, or you can usually get a copy of regulations from your congressperson or you can copy the regulations at your nearest state or local welfare department. Also, a publication that can be useful in indicating how each state is using its Title XX allotment is **Technical Notes: Summaries and Characteristics of States' Title XX Social Services Plans for Fiscal Year 1977.** It is available from Eileen Wolff, Room 416E, South Portal Building, 200 Independence Ave. S.W., Washington, D. C. 20201.)

vate organizations (which receive contracts from local or state welfare departments).

The passage of Title XX created two notable changes in federal social services practice. First, it put a ceiling on annual federal expenditures for the program. Previously, the federal government would provide unlimited funds to the states for eligible services, a policy that caused a prodigious increase in the size of the program. Faced with a projected fiscal year 1973 expenditure of $4.8 billion, Congress imposed a ceiling of $2.5 billion a year (the only exception was that there was no limit on federal funds for training staff that provide the services).

To offset the loss some states felt because of this limitation, Congress gave the states far more control over the expenditure of Title XX funds, thus making it, in essence, another "New Federalism" program (such as revenue sharing, CETA and the Community Development Block Grant program). In the process, Title XX became a complicated new way of funding state social services programs (see an article on Title XX in issue 12 of the NEWS; the article is also available as a reprint).

As with any new program, Title XX has undergone a number of changes during its implementation (changes that will be discussed later in this article) and continuing evaluation will undoubtedly lead to further modifications. However, certain trends are already apparent to people in the field, and one common thought is that Title XX is not working as planned by Congress and the Department of Health, Education and Welfare. There are several extensive studies of the program that are either still being conducted or have yet to be released, but even without them there is some uniformity in what one sees, reads and hears.

Citizen Participation: More Theory than Reality

Title XX's underlying premise has always been that decision-making and control of social services would shift from the federal government to the states, and that there would be a corresponding increase in citizen participation in the design of social services programs. However, that premise is more theoretical than real.

The time for citizen input is, of course, during planning, yet major citizen participation in state planning processes has not been reported anywhere. It is true that most, if not all, states now hold hearings to comment on drafts of the mandatory plans for using Title XX funds that states must prepare, and some have Title XX advisory committees to assist the designated state agency. But the reality is that Title XX planning remains the domain of the designated state agency and public and private providers (with private providers having the least input). United Way of America's "Assessment Project Report on Planning" (September 1976) found that in most of the states studied, "the planning methodology primarily consisted of obtaining routine service statistics from service providers" without any thorough needs assessments. More importantly, the report also found that "almost nothing was done to solicit data from consumers."

There are some substantial reasons for the lack of real citizen involvement. Many states are now at or near their allotment ceilings, and their social services programs tend to be locked in by existing operations. Where funding is not at

"The biggest obstacle to public participation in Title XX is that few people understand it."

ceiling, citizen groups are faced with difficulties in getting organized, locating match dollars (federal funding requires that the states come up with a 25 percent match) and developing a viable service program that will meet Title XX guidelines.

But the biggest obstacle to public participation in Title XX is that few people understand it. Title XX is simply too complicated for effective citizen involvement. For example, a person or group that wants day-care services (such as a working mother's coalition) has to learn about Title XX before doing anything, and just the learning process will discourage most interested people. Thus, only state agency personnel and the staffs of provider agencies are truly involved in Title XX planning.

HEW and the Congress must share the responsibility for this failure. In their zeal to insure that Title XX is a "citizen action" program, they have imposed so many requirements concerning planning and program operation that only the most knowledgeable citizens can participate.

HEW probably gets all the criticism without justification. Vern Wingert, Title XX project director for the Commission on Federal Paperwork, says that the commission's study indicates that Congress, and not HEW, is responsible for much of the complexity of Title XX, and he believes the law itself will have to be changed before simplification can occur. With the commission's recommendations and an HEW report to Congress due this summer, some changes in the act could be forthcoming by the end of the year.

Agencies that receive Title XX money to provide social services also have experienced many problems. They have ranged from difficulties in obtaining allocations and service contracts to several-month delays in getting reimbursements for services delivered. Also, service providers, particularly private ones, are hard pressed to get contracts they can live with.

A Plethora of Regulations

A primary cause of the problems are regulations, or, more precisely, the proliferation of regulations. Not only are the basic Title XX regulations (45 C.F.R. 228) directly applicable, the accounting and cost allocation rules (45 C.F.R. 74) and the general administration guidelines (45 C.F.R. 205) are also relevant (C.F.R. stands for Code of Federal Regulations, which is available in most larger libraries). All in all, there are some 127 pages of small type and even narrower nuances. The result is confusion from the top down. Within HEW itself, I have gotten three different answers to the same basic question on Title XX, and I understand that the written technical assistance from HEW's regional offices differs on that matter. Therefore, a growing number of state administrators are now refusing to act in an uncharted area without written authorization from the department. (And with the recent reorganization of HEW, it is uncertain which part of the department has responsibility over the program. In the past it was the Social and Rehabilitation Service.)

Even a written HEW answer does not end the confusion because circulation within state Title XX agencies tends to be haphazard, and locally-administered Title XX programs

receive even less information. When a service provider asks a question, the answer is often, "Nobody knows the answer and I don't know if we ever will."

And as if the federal regulations didn't create enough problems, state Title XX agencies are making the program even more complex. For example, despite explicit authorization in the regulations to do otherwise, North Carolina requires basic "data file" information on every recipient and his family, and it will not allow service providers to handle eligibility determinations. Virginia does not allow the much simpler "declaration" method for eligibility determinations. When restrictions imposed by local and state sources of matching funds are added into the mix, Title XX becomes very complex indeed.

Critical Controversies in Program Operation

The most critical problems in the operation of programs are in the areas of reimbursement, audit and reporting, and it is in those areas that the major Title XX battles will occur in the next few years.

Reimbursement woes plague every Title XX program because of disputes about particular clients or services, requests for compliance with new policies of the states or delays in actual reimbursement because of bureaucratic red tape. In Ohio, for example, some service providers are reporting intervals of 90 days between service and reimbursement, and this is exacerbated by federal regulations denying reimbursement for interest expense. This little-noticed rule (contained in 45 C.F.R. 74, appendix F, [G] [18]) requires vendors to have as much as four months operating expenses in cash on hand since a provider must provide the service before claiming federal reimbursement, and providers can only provide the service if they have the cash to pay expenses.

Audit concerns are likely to increase in importance in the months ahead. HEW released a draft audit guide in early 1976 but has only recently begun field testing the final version in a limited number of states. Thus, it is impossible to say exactly what will happen when federal audits begin in earnest, but one dispute in Pennsylvania concerning $3.25 million took over nine months to resolve, during which time federal reimbursement was withheld.

A congressional desire for program accountability led HEW to develop the Social Services Reporting Requirements (SSRR) in 1975, and the headaches engendered by the SSRR have required HEW to implement the system very gradually over the last two years.

Many state administrators have labeled compliance with SSRR a monumental endeavor requiring extensive paperwork, and the feeling appears widespread that the results are not worth the effort. In fact, a new, as yet unpublished, study finds the SSRR is excessively complicated while producing results of only marginal utility. One prime example is the reporting requirement dealing with goal counts--it is very difficult to imagine the usefulness of knowing whether 100,000 hours of social services were directed to "economic self-sufficiency" instead of "economic self-support." Even worse, the SSRR has led states to even more complicated reporting systems for their internal use.

These are only some of the problems of Title XX. Undoubtedly, $2.5 billion is doing some good in the social services sector, but it is hard to escape the suspicion that much more could be done if Title XX were easier to understand and administer.

"Vendors must have as much as four months operating expenses in cash on hand."

Evaluations currently in progress should be more scientific than this report, though they may not be fundamentally different. HEW is preparing a study for congressional review this summer, but since most of the material is still in the internal draft stages, HEW has been unwilling to release any of its findings. However, there are persistent rumors that the consultants' reports forming the core of the study are highly critical, and a Freedom of Information Act suit may soon be filed to force release of the information. If it appears, there will surely be a push to make Title XX more effective.

Changes in the Program

Since the inception of Title XX, a number of regulations changes have been promulgated in an attempt to mute fairly intense criticism of the program. Individual regulation changes were released in the *Federal Registers* of Oct. 3, 1975, Feb. 9, April 2, May 19, and Dec. 21, 1976. On Jan. 31, 1977, a comprehensive reworking of the entire program's regulations was published (Fed. Reg. 5842-5864), incorporating not only the previous changes but also new clarifications and requirements. The January 31 regulations became effective May 1 and thus now serve as the basic source document for Title XX administration.

Six basic changes predated the program overhaul in the January 31 regulations. *First*, the individual basic data file was eliminated. The original regulations required that the states maintain for each service recipient a basic data file which listed name, personal characteristics, basis for eligibility, services provided, goal of services, provider agency and any other information HEW might later request. The privacy and administrative implications of the requirement created immediate and sustained opposition. HEW delayed implementation and then dropped the requirement, but it is studying alternatives.

Second, states can now choose a declaration method or any other method to determine a client's eligibility for service. Originally, states were required to verify income by documentation and/or outside contacts. However, the time necessary to make both the original determination and the redeterminations that were required every six months, and the potential dangers to privacy, led to relaxation of the eligibility process.

Third, states may now use group eligibility determinations for all services except day care services for non-migrant children. Previously, HEW had claimed it was unable to allow group eligibility determinations in the absence of statutory authority, so on Sept. 7, 1976 former President Ford signed Public Law 94-401, which authorized group eligibility. Regulations implementing the act were issued in late December.

The regulations now permit group eligibility when states can conclude that "substantially all" the persons who receive the service are members of families with monthly gross incomes of no more than 90 percent of the state's median income, adjusted for family size. The regulations define "substantially all" as no less than 75 percent of the persons receiving the service on the basis of group eligibility, and

they require the state to validate the "substantially all" basis at least once a year.

Together, the availability of the declaration method and group eligibility determinations can simplify many of the complications of Title XX, but these innovations are options, not requirements for the states. States are free to disregard one or both (as Virginia currently does), so much of the potential benefit may not be realized. Nonetheless, the implications for certain groups such as the elderly, developmentally disabled and the handicapped are enormous.

Fourth, Public Law 94-401 (the law authorizing group eligibility) also makes an additional $240 million available for day care through September 1977. This allotment is in addition to the $2.5 billion ceiling and the money available for Title XX training. The regulations reflect another interesting provision in P.L. 94-401: states may make grants to public, private nonprofit and proprietary child day care providers to help them employ welfare recipients in jobs related to child day care services. Grant costs are not to exceed $5,000 for public and nonprofit providers and $4,000 for propriety providers for each recipient per year.

Fifth, day care, drug and alcohol detoxification and family planning guidelines have been suspended or modified. Federal staffing standards for child care providers serving children age six weeks to six years have been suspended until October 1977, although state requirements still have to be met. Federal financial participation (FFP) is now available for initial detoxification of drug and alcohol abusers for up to seven days when the detoxification is integral to further provision of other services, even if hospital staff or normal institutional activities are involved. Formerly (and still for all other Title XX services), use of institutional staff or facilities for providing services that the institution is inherently responsible to provide was flatly prohibited. Family planning is now a "universal access service," that is, it is provided regardless of income.

Sixth, because of state confusion about defining family units for eligibility purposes, the definition of "family" has been liberalized. States can now treat adults (other than spouses) who live together as separate families. Also, emancipated minors and children living under the care of individuals not legally responsible for them can now be treated as one-person families. However, HEW refused to define "emancipated minor" or to mandate a national definition of "family." Instead, it left definition refinements up to the states. As a result, states are free to develop widely varying family unit definitions, a liberty that may lead to audit exceptions (i.e., federal demands for return of money already spent) in cases where the family definition does not provide a specific answer.

The New Guidelines

The regulations published January 31 not only incorporate all prior changes in regulations but also reduce the "operational difficulties states encountered during the first program year," primarily by clarifying murky drafting.

The January 31 changes are a mixed bag. The regulations impose new requirements on the states while they liberalize FFP rules regarding ineligible individuals and Title XX training.

First, unless service is denied, the states are now required to provide a requested service with "reasonable promptness," which is defined as within 15 days after notification of eligibility or within 30 days after acceptance of a request for service. This seems to be a fairly stringent requirement, especially for private providers trying to handle burgeoning caseloads with inadequate resources.

"The availability of the declaration method and group eligibility determinations can simplify many of the complications of Title XX."

Second, instead of eligibility redeterminations at six-month intervals, SSI recipients and those with combinations of pension, social security and SSI income may receive services with annual redeterminations. However, annual redetermination for AFDC recipients, the developmentally disabled and the elderly were rejected despite the fact that developmental disability and age are irreversible. The refusal was based on the need for "more experience with Title XX."

The *third* change is a rather complex one and perhaps not as important in terms of number of clients affected, but it does indicate a shift away from the rigid position that reimbursable service must end the minute eligibility does. The new regulations state that if a person was correctly declared eligible on the basis of information available at the time of determination and the recipient is later found ineligible, reimbursement will be made for services provided until the end of the month in which the recipient is determined to be ineligible. It is a narrow exception perhaps, but it does help resolve the problem of providers engaged in ongoing service to clients. For example, what should an attorney rendering legal services do when he or she has spent months preparing to go to court for a client who is then found to be ineligible?

Fourth, states now have the option to establish different income levels for (1) different geographic areas, (2) different services or (3) different categories of individuals. The last two factors were already available but the first will allow states to take different standards of living in the state into account.

Fifth, a provider must now inform those seeking service that they may request the state Title XX agency to contact outside sources (such as employers) if necessary to determine eligibility. This allows the applicant to keep the service confidential, since a call from a state social services agency could mean many things whereas a call from a drug rehabilitation program means one thing. However, the provision may create heavy demands on state agencies that are finding localities already complaining about state administrative costs. HEW has promised to evaluate later on the basis of experience.

Sixth, states using non-federally matched dollars (that is purely state or local funds) to expand their Title XX services may receive Title XX training funds, provided the program meets all the Title XX requirements. That is, if the state-funded program provides services included in the state Title XX plan to the same eligible individuals listed in the plan, the staff of those programs can take advantage of the open-ended training fund allocation. This could be of great benefit to states like California which are spending substantial amounts above their ceiling for social services, although the potential advantage may be offset by the Administration's

State Title XX Expenditures

Source: Social and Rehabilitation Service Budget Office

SRS Budget Office Actual Use Report, Titles IV-A and XX Based on State OA 41 Submittals for FY 76 Dated 2/1/77	Total State Use of Federal Allotment FY 76	Federal Allotment FY 76	Percentage of Allotment Spent FY 76
Alabama	29,900,310	42,250,000	71%
Alaska	4,000,000	4,000,000	100%
Arizona	6,434,197	24,500,000	26%
Arkansas	11,948,505	24,250,000	49%
California	245,500,000	245,500,000	100%
Colorado	28,999,965	29,000,000	100%
Connecticut	36,750,000	36,750,000	100%
Delaware	6,365,550	6,750,000	94%
District of Columbia	9,000,000	9,000,000	100%
Florida	89,045,043	91,500,000	97%
Georgia	52,270,283	57,000,000	92%
Hawaii	8,322,329	10,000,000	83%
Idaho	9,250,000	9,250,000	100%
Illinois	94,127,339	133,750,000	70%
Indiana	8,707,974	63,250,000	14%
Iowa	34,500,000	34,500,000	100%
Kansas	17,613,254	27,250,000	65%
Kentucky	39,750,000	39,750,000	100%
Louisiana	31,839,730	44,750,000	71%
Maine	10,100,510	12,250,000	83%
Maryland	43,972,900	48,500,000	91%
Massachusetts	64,108,618	69,250,000	93%
Michigan	102,837,187	107,750,000	95%
Minnesota	46,498,929	46,500,000	100%
Mississippi	8,321,227	27,250,000	31%
Missouri	28,230,178	56,750,000	50%
Montana	8,500,000	8,500,000	100%
Nebraska	18,250,000	18,250,000	100%
Nevada	3,824,090	6,500,000	59%
New Hampshire	7,159,145	9,500,000	75%
New Jersey	82,480,142	87,750,000	94%
New Mexico	10,614,823	13,250,000	80%
New York	217,500,000	217,500,000	100%
North Carolina	41,356,243	62,750,000	66%
North Dakota	5,518,110	7,500,000	74%
Ohio	61,471,744	127,750,000	48%
Oklahoma	26,605,714	31,750,000	84%
Oregon	25,464,676	26,500,000	96%
Pennsylvania	115,402,679	141,750,000	81%
Rhode Island	11,500,000	11,500,000	100%
South Carolina	27,683,910	32,500,000	85%
South Dakota	6,552,320	8,250,000	79%
Tennessee	28,335,546	49,250,000	58%
Texas	140,500,000	140,500,000	100%
Utah	10,334,625	13,750,000	75%
Vermont	5,500,000	5,500,000	100%
Virginia	38,181,073	57,250,000	67%
Washington	40,749,990	40,750,000	100%
West Virginia	19,540,299	21,500,000	91%
Wisconsin	54,500,000	54,500,000	100%
Wyoming	3,769,353	4,250,000	89%
TOTAL	$2,079,688,510	$2,500,000,000	83.2%

Congressional Action on Title XX

After passage last year of the law (P.L. 94-401) dealing with supplemental day care appropriations and group eligibility, Title XX has received little attention from Congress.

A number of things will happen this summer, however, and there will probably be some congressional action by September. In July, HEW's comprehensive report on the implementation of Title XX is due, as is a separate report on day care standards. Both are being eagerly awaited, and hearings on the studies may occur after their release. The Senate Finance Committee and the House Ways and Means Committee have jurisdiction over the program.

Any legislative changes are likely to be linked to an extension of the $200 million day care supplement, which expires September 30. Already, some preliminary discussion in the Senate Finance Committee has centered on raising the services ceiling to $3.1 billion, but a bill has not yet been introduced to do so. The Administration called for an increase to $2.7 billion in its budget proposals. The primary reason for any increase in the ceiling seems to be the increased cost of living, since the ceiling was set at $2.5 billion in 1972.

proposal to limit training funds to $75 million in fiscal year 1978.

A number of other changes are also made in the new regulations, particularly in relation to the state plan, but most them are procedural and of less importance to service providers. The introduction to the regulations discusses these other changes.

Anxiety Over Audits

Some of the most interesting things about the new regulations are the things they don't say and the suggestions HEW refused to accept. Most important is HEW's unwillingness to ease serious anxieties about Title XX audits. At the present time, the fear of federal audit exceptions has created virtual paranoia in many state Title XX agencies, the result being massive and expensive paperwork directed not to providing service but to avoiding audit disallowances.

Yet HEW denied state requests to promulgate acceptable error rates and to specify sampling and monitoring procedures because it did not believe "the regulation is the proper vehicle for such material." Indeed, HEW recently eliminated regulations (45 C.F.R. 205.41) that specified that AFDC case errors would be deemed within tolerance if they did not exceed 3 percent for ineligibility and 5 percent for overpayments and underpayments.

However, the interesting thing about the end of these regulations (which in itself has no direct connection with Title XX) is that it was prompted by a court ruling in *State of Maryland v Mathews* that the tolerance limits were void as "unreasonable, arbitrary, contrary to and inconsistent with the Social Security Act." In essence, the court said a 3 percent error rate standard was far too low. A consultant's report prepared for the court recommended that the tolerance limit for overpayments be set temporarily at 9 percent, noting that during the first six months of 1975 only two states met the 5 percent limit and only eight states had less than an 8 percent error rate.

HEW is currently proposing new quality control standards for the AFDC program, but the *Maryland* decision poses the tantalizing possibility of court action to forestall HEW disallowances of Title XX expenditures because of too high error rates. This may ease the minds of state agency administrators and providers in the absence of concrete guidelines.

In short, Title XX continues to be a source of action and debate in the social services field. Clearly, the changes are not over yet. •

Several Reports Score Title XX on Many Counts

Several evaluations of the two-year-old Title XX Social Services program have been issued recently, and most substantiate criticisms of the $2.5 billion program made in an article in the last issue of the NEWS.

Title XX provides federal funds to the states to be used to provide a number of social services, including family planning, foster care, day care, transportation for the elderly and scores of others. Services can be provided by both public agencies and private organizations.

The one study of the program with the most potential long-run effect was prepared by Pacific Consultants for the Department of Health, Education and Welfare, which administers the program. Entitled *Social Services Reporting Requirements (SSRR): An Analysis of State Perceptions and Capabilities*, the report focused on the federally-mandated SSRR, which was intended as a way of documenting and monitoring the program. The study concludes that the controversial requirements were too much too soon, saying they "exceed the capability of most states to respond." It also found that the reporting requirements "are structured to provide more specific data than federal and state officials are currently in a position to fully assimilate and utilize."

The report recommends that the basic data file not be reintroduced; that reporting requirements for federal goal counts, unduplicated counts (except through sampling), distinctions between full-time and part-time day care and special service areas be either reconsidered or eliminated; and that annual or semiannual reports be considered.

The Commission on Federal Paperwork has recently approved its staff report, *Title XX: Federal Demands, State Impact, and Recommendations for Reform.* The report attacks cumbersome plan amendment procedures, complex eligibility determination processes, excessive purchase system paperwork, the federal reporting requirements in the SSRR and the invasions of privacy threatened by personal data files, uniform identification systems and statistical recipient counts by service. Some major recommendations of the report include annual eligibility redeterminations, a review of the privacy impact of Title XX requirements and elimination of unduplicated client counts and quarterly reporting.

A HEW draft report by the Urban Institute (Working Paper 0990-8, November 4, 1976, *The Implementation of Title XX: The First Year's Experience),* is the most sanguine of all available. The Urban Institute researchers found 1) an "opening" of state planning processes, 2) increasing emphasis on planning and evaluation, 3) expanded coordination among welfare departments, service providers and client groups, 4) no massive refinancing of state programs under Title XX and 5) no relative inertia in states which have reached their Title XX ceilings. Identified problems include lack of funds to expand services, eligibility determinations, inadequate state management capacity during the implementation period and restrictive federal policies. Perhaps the reason for the paper's blandness stems from its reliance on survey methodology.

The United Way Assessment Project has issued reports on planning (September 1976), donations and contracts (December 1976) and eligibility and client characteristics (April 1977). These reports are somewhat limited in reliability because they examine only nine states, but their conclusions substantiate those of other reports.

Specifically, the planning report found inadequate planning and need assessments, increased coordination between state agencies, minimal citizen participation and potential legislative intrusion into the allocation process.

The donations and contracts data indicate delays in reimbursement of up to six months in some states, fairly long contract negotiation periods and somewhat increased contracting with private providers.

The eligibility study perceived reductions of differences between how public and private service agencies determine eligibility, increased administrative costs in determining Title XX eligibility and continuing client interest in services despite complex eligibility procedures.

Finally, The USC Regional Research Institute in Social Welfare has issued a case study entitled *Planning for Social Services: Title XX Action in Five Communities* (September 1976). The study examined one Arizona and four California areas and found that neither planning nor coordination had improved with Title XX but that citizen participation in social services allocation had increased The report found little change in program operations as a result of Title XX but this may be due to the newness of the program and the fact that California is at its Title XX ceiling, meaning that there can be no increase in federal funds.

— Tom Tokarz

Reprinted from the July-September (No. 21) issue of the NEWS.

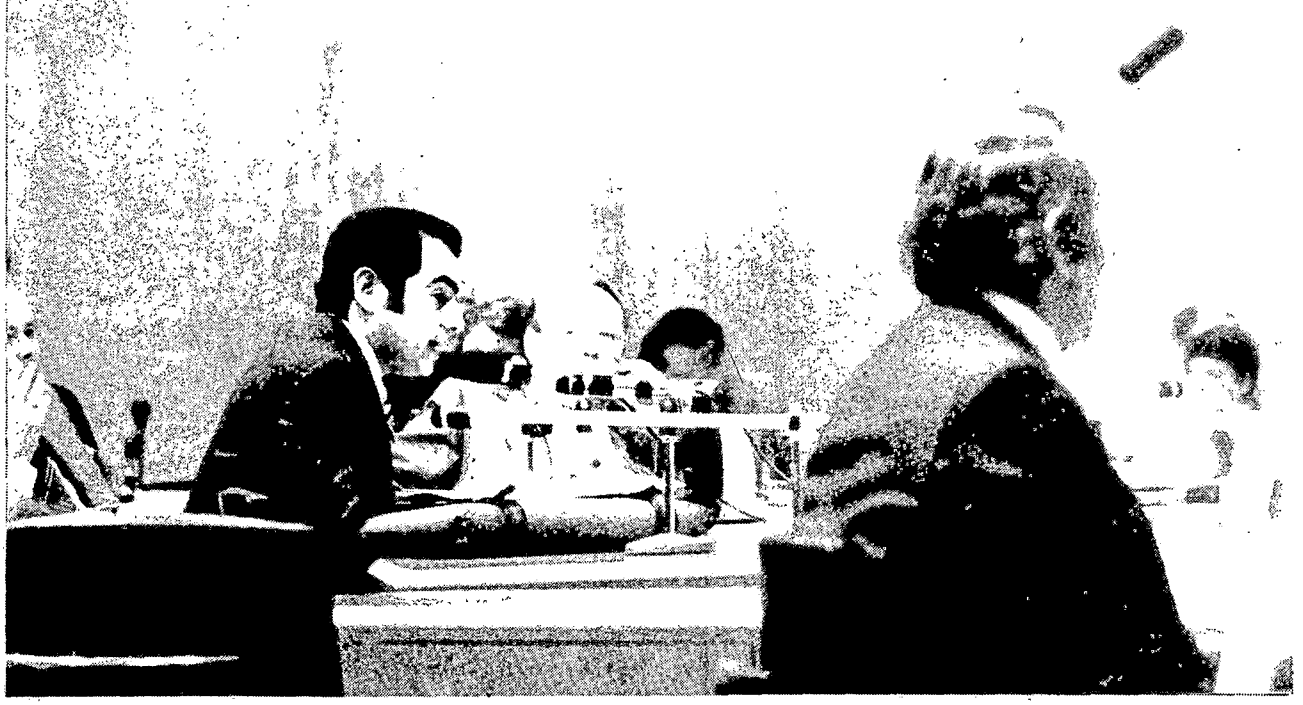
How to Testify at Public Hearings & File Your Comments With Public Officials

"Citizen involvement." "Public Accountability." Phrases much used during the past three years in connection with "new federalism" programs such as revenue sharing, community development block grants, comprehensive employment and training (CETA), and now the Title XX of the Social Security Act.

How meaningful have the politician's promises of increased decision-making by the people themselves been? Some feel that states and localities have been closed to citizen input and that the system has been even less responsive to public needs. Others assert that citizen involvement has been effective in many places and can be much more effective — if more citizens decide to become involved.

What follows is a guide to some of the steps in realizing citizen participation that hopefully will make what often seems like an inscrutable process a bit more understandable.

This guide was developed with the assistance of Judith Assmus Riggs of the Children's Defense Fund, Washington, D.C.



Advance Preparation is Essential

Personal contacts and relationships maintained with city, state, county and federal officials, their staffs and the staffs of legislative committees can be invaluable as sources of information and assistance. But they have to know you first. Once they do it will be much more likely that you will be invited to testify at hearings related to your program and its interests.

Establish written correspondence with the official responsible for what you are concerned about. Get that person to respond specifically in writing to your concerns.

If possible, coordinate your testimony with other groups and individuals who may be testifying. This is an extremely difficult thing to do. But by coordinating at least with those you know you can each concentrate (during your five or ten minutes of verbal testimony) on a different aspect of the issue. Legislators and hearing officers tune out when they hear the same points being boringly repeated in the same way.

You may be told that testimony will be received on a first-come, first-served basis, but it is nevertheless true that committee and hearings staffs almost invariably screen people in advance and schedule them for testimony. Your place near the top of the list of early testifiers will usually be related to how important the staff thinks you are. Whatever happens, you or someone from your group should be prepared to spend all day, each day of the hearings to assure that you will be there when you are called.

If you are testifying in opposition to a particular issue you should contact the person responsible for it (a bill, a plan) and discuss it in advance. The author may make an author's amendment if he or she agrees with your enlightened and irrefutable analysis. They will be much more defensive in reacting to testimony they don't know about.

Don't let the crisis syndrome cripple your vigilance. We all tend to be crisis oriented and over and over, coalitions of groups which have been formed around specific issues tend to fade away after an immediate crisis has passed.

This can be costly. Two years ago a coalition of community groups in Los Angeles County thought they were successful in getting the county supervisors committed to spending 20 percent of revenue sharing funds with private nonprofit groups for human services. This year the supervisors quietly moved to use most of these same "committed" funds for other purposes. Perhaps if the coalition had remained active, continuing to monitor and publicly pressure the county, the funds would not have been lost.

When preparing written testimony or letters to officials:

Keep it short, clear and to the point. Use facts.

Type out your statement or letter and prepare enough copies for each member of the committee or each of the officials who will be hearing testimony. Your written testimony can include more information and comment than you may be able to give verbally.

Summarize key points. If your statement is longer than two pages, summarize the key points simply on a cover page attached to the front of your typed document.

You may want to mail this summary with your request to testify at a particular hearing. Mail such requests so they'll arrive at least one full week before the hearing is scheduled.

When you visit public officials or committee staff members, take this brief summary with you and leave a copy with them.

Tell who you are and why you are writing. Be personal.

"I have a son who is addicted to drugs who needs help."
"I provide a foster home for a mentally retarded adult."
"I am a member of the board of a local agency that provides services for elderly people."

If you are writing because a plan or proposed bill does not provide the services needed in your community, describe the need as specifically as you can.

"The majority of women in my neighborhood work in the garment factory. Most of them have children. There are no child care facilities in the neighborhood or near the factory."

"There are 50 elderly people in the neighborhood of our senior citizens center who can't walk very well who have said they would like to participate but need transportation and help to get here."

Give examples of the consequences of the proposed plan or problem:

"The take-home pay of the average worker at the factory is $78 per week. Under the proposed plan, child care will cost $18 a week for one child. Thus if a worker has two children, nearly half of his income will go to day care."

Make specific recommendations.

"Service provider agencies should be allowed to make the eligibility determination so that someone who needs services today or tomorrow can get them."

"An educational component should be allowed in the state Title XX plan for child care by deleting from the plan the words: 'Day care facilities do not include preschool and other services which are primarily educational in focus.' "

Contact other influential people who can help you get changes in your plan. Send copies to your governor, state legislators from your community, your Congressperson and Senators, local newspaper, radio and television stations and the regional office of HEW.

Don't stop with sending a few letters and attending some meetings. They are merely first steps in the necessary process of organizing with other groups to bring the issue to wider and continuing public attention and concern.

Find other concerned people in your community and around the state. Share your mutual concerns. Urge them to file comments. The more comments you can get into the state agency or to public officials, the more chance there is to bring the kinds of changes you see as important.

Other local or state groups which might be interested include children's groups, community action programs, welfare rights organizations, the local chapter of the National Association of Social Workers, the League of Women Voters, local unions and welfare agency employees (such as the American Federation of State, County and Municipal Employees — AFSCME). Unions are now concerned about Title XX because the expanded income eligibility criteria now make it possible for union members to qualify for services under the Act.

Try to get your local newspaper to do a story to dramatize a problem or show the effects of a proposed plan or legislation in your community: who it will help, who will be left out, what kinds of programs will be offered, etc.

Ask the state agency for a public hearing if there is enough interest in your community. (This will work **only** if you can get a good crowd, and if people have some agreement about what is wrong with the plan.)

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CITY HALL

AN IMPORTANT RESOURCE FOR YOUR ORGANIZATION

By Carol Derfner

Carol Derfner is the executive director of the Anchorage Arts Council. This guide was adapted from a speech given at a recent conference in San Diego, parts of which first appeared in A.C.A. Reports, *a bimonthly newsletter published by the Associated Councils of the Arts.*

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Often overlooked during the past decade of immense, Washington-directed grant programs has been a very important funding resource — local governments.

Not only will local and state governments be spending over $100 billion this year, they will be making decisions about allocating more than $50 billion in direct federal assistance. New Federalism, with its emphasis on the involvement of local governments in federal programs, is redefining the environment in which nonprofit organizations must seek support. Organizations will increasingly be having to go before local governmental bodies to request funding as well as to seek local approval of applications for federal assistance.

But approaching local governments to obtain funding requires sophistication in an activity which, for many nonprofits, is not only unfamiliar but potentially dangerous.

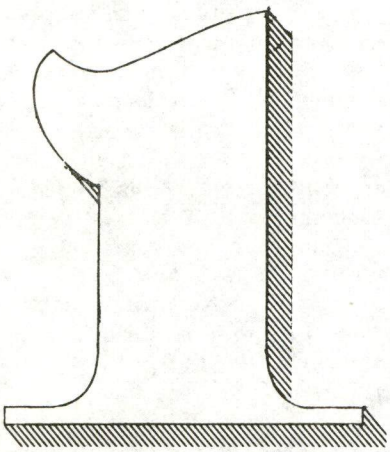
Lobbying. It can be a life or death matter for an organization which is dependent on tax-deductible contributions. Such an organization can lose its 501 (C)(3) status if it devotes a "substantial" amount of its resources to lobbying. Yet local governments may be the best sources of support for many organizations, so it is necessary to effectively work with them.

Carol Derfner has developed the accompanying guide through her experiences with local governments as a hospital administrator in Los Angeles and as executive director of the Anchorage Arts Council.

She is effective, and prudent.

In two years the Council has generated approximately $805,000 from city and borough governments for arts projects — in a state with a depressed economy and a lack of basic arts awareness.

At the same time, Derfner scrupulously documents the various activities of the Council and the time it spends on each. She can thus be certain that activities that could be construed as lobbying do not become a substantial part (one court defined it as 5 percent) of the Council's activities, and she can prove it to the IRS.



I. LAYING THE GROUNDWORK

These are things you should do prior to ever appearing in front of an agency with a request. We consider them a part of our ongoing advocacy program.

Select a few of your board members who have political knowledge and who will dedicate themselves to helping you as much as possible.

Get your basic philosophy ironed out with them and make sure that you are all on the same wavelength in your thinking since you will be working together very closely.

Keep on top of "who's who" among local elected and appointed officials and key administrative personnel.

These people constantly change. You should study their personalities, voting patterns, strengths and weaknesses, special interests, etc. You can find this out by simply observing their activity in meetings and listening to their comments. Put them on your mailing list for your publications. You might also prepare a mailing list of these people for special mailings.

Find some good friends of your program area within the administrative departments.

Sometimes these people will be able to help you in small ways. Often you will hear valuable information that you would not otherwise know through these people. Spend some time in the city clerk's office too. You can familiarize yourself with the paperflow that way and it never hurts to have the clerk know who you are. The same is true of the mayor's secretary and assistants. They can expedite the flow of materials and information to you if need be without bothering the mayor.

Learn the procedures of local government.

When do you file a letter of request for an appearance? What is the procedure if you want a last minute appearance? How do you find out about the discussion on a particular issue at a meeting you couldn't attend? How are the official meetings run? For example, our city council meetings are less formal than our borough assembly meetings, although they both use parliamentary procedure. Must you take your request to an advisory commission prior to the actual city council meeting? *Be especially cognizant of the time frame for budget requests.* There is nothing worse than to make a monetary request too late.

Learn how to read a government budget document.

Most of us do not know how because we are not part of government. They can be fascinating and very confusing. The only way to understand a budget is to constantly ask questions — of the clerk, the budget officer, people you know within administrative departments, anyone who has been involved with the budget process. Once you have learned what all the terminology means and what the abbreviated and coded columns stand for, keep one handy and take it with you to meetings for visual effect as well as reference.

Comb your local newspaper constantly for anything that pertains to your local governments.

You will always be aware that some actions will have a direct effect on you, but you will be in a better position to evaluate your situation if you are aware of such things as special meetings, hearings, special funding, drastic cutbacks, key personnel changes, political struggles, etc.

Go to all the meetings that you can for awhile. Familiarize yourself with the total scope of their concerns.

Listen to them discuss sewers and mill rates and dog licensing regulations. Sounds boring? I take correspondence from the office with me and listen with one ear. I not only familiarize myself with the scope they must deal with, but I can make my own observations of the people I will have to deal with later. I personally find it all fascinating, and I pick up a lot of good ideas and contacts by doing this.

Learn their vocabulary.

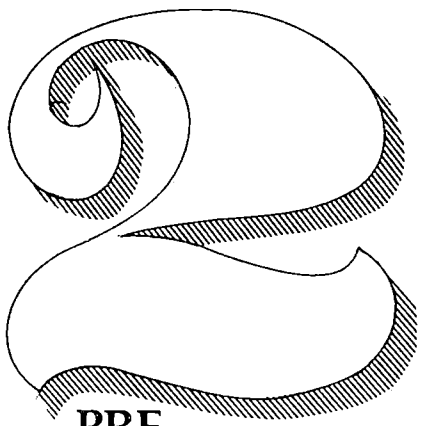
Watch their reactions and how they relate with each other. Watch and listen to the testimony of others. Then try to analyze why certain requests were either approved or rejected. Judge the average length of concentration that is given to testimony.

Sit in a visible spot.

If they get used to seeing you at meetings you won't be a total stranger to them when you finally talk to them. They will also know that you have been avidly following their discussions and know something about the inner workings of local government. Besides that, you might pique their curiosity.

Familiarize yourself with their decorum.

For example, do you answer a question posed to you by addressing the Chair first? Do you respond to the mayor by calling him "Your Honor" or "Mayor _____"? This is important because you will be a supplicant asking for their time and their money and you should *never* forget they are elected officials who should be accorded due respect for their positions of responsibility.



PRE-PRESENTATION WORK

After you have thoroughly acquainted yourself with the political arena that you will be entering, you must now conceptualize and actually develop the program request.

Select a project or a "salable" concept that you think the municipal agencies would fund that is also what you need.

Don't go in for a project simply because there might be monies available. You will dilute your efforts in the long run by thinking that way. Develop a program that you have wanted to do and that has obvious benefits for the municipal agencies. For example, we wanted to obtain some basic data regarding the attitudes and actual participation of Anchorageites in the cultural events of the community. We knew we did not have the expertise to do this ourselves and the municipal governments had not conducted studies on leisure-time activities except as they related to outdoor recreational needs. It was a natural project for cooperative efforts.

If possible, develop a "package" that will provide for a matching grant and the technical expertise to carry out the project.

We went in with the security of National Endowment for the Arts and State Council on the Arts matching dollars for this study. All we needed was the municipal contribution. We even screened the bidding firms and decided on a proposal from the National Research Center of the Arts, thereby eliminating any decisions they might have to make on this project except its necessity.

Keep their economic situation in mind.

You have a right to ask for the money but you stand a much better chance of getting it if you come in with a reasonable request. I have not seen too many "pie in the sky" projects funded.

Watch your language.

Be prepared to speak in their working vocabulary. You will find very often that your working lexicon is absolutely foreign to them. Examples of this in the area of arts are the terms "NEA," "outreach," and "audience development." Also, "buzz" words that promote the notion of elitism such as "culture," "patrons," "chamber music," etc. Even the word "art" should be avoided sometimes. We dealt with this semantic problem by calling our study a "leisure-time study" rather than an "arts-attitude study."

Be extremely accurate and specific in your facts and figures.

If you are not, you can be sure that someone will trip you up with your own generalities. If you say that the arts can prevent juvenile delinquency, you better have some statistics or testimony from a juvenile officer to back you up.

Take the mystique out of the arts (or any other program area) in your presentation.

You may be accused by arts leaders in your community of treating the arts like soap powder, but elected officials will respond to your request better if they can deal with the specifics of the program rather than the loftier goals that you are aiming for.

Write your proposal.

This is an art in itself. Carefully establish the need for the program, state very specifically your objective, and then indicate the methods you'll use, how the program will be evaluated and what the time frame will be. Prepare an itemized budget. (A word of caution: be careful not to make your budget too itemized. You might end up with an argument over a small budgetary item in the midst of your presentation that could upset the entire apple cart.) If your program will be ongoing, note your plans for future funding. Show your organization's fiscal responsibility by offering to carry out the accounting, if necessary. *Show who in your community, besides the arts constituency, will benefit from this program.* Prepare back-up material on the need for the project, the persons who will undertake it and the support you have already garnered for it. Put all of this into a formal proposal packet for each official. *Provide a concise one-page summary of your proposal.* You should spend a great amount of time on developing this summary since it will often be the only thing an official will have time to read.

Prepare your verbal presentation and hold on to it for awhile.
You should also try to do this with your written proposal — you need time to reflect on the adequacy of your description of the project.

Start trying out your project.
Go to your mayor or your city manager. Find out what they generally feel about it. Then take it to key administrative officials who might be able to add valuable suggestions to make it more salable. Find out their views. For example, the director of our Borough Planning Department immediately liked the idea for the study but he knew he did not have the staff to help with it and was fearful that, if funded, it would wind up in his department's budget. This was something that was an important factor to counteract if we could. Take it to the advisory commissions of your local government that would have an affinity for the project. Get their support. After all, they are appointed to advise the administration. After you have developed a sense of how the administration feels about the project, take it to your elected officials *one by one.* There is no substitute for this. Each official is different with different concerns and constituencies. Insight at this stage is invaluable. You can also pick up any "negative vibrations" now. Try to think of a way to overcome them.

Lining up your votes before you go in is crucial.
You must develop a feeling for the strengths and weaknesses of your proposal from the politicians viewpoint before you ever make your public appearance. Very often, if you have an official who is in favor of your proposal, he or she will help you anticipate the objections that might be raised by someone in opposition to it.

If you have the need, revise your verbal presentation now that you know your audience better.
Try to be prepared for any and all possible questions that might be thrown at you.

ACTUAL PRESENTATION

This is the easiest part of the process if you have done all of your homework.

Schedule your appearance and provide the proposal packets to the officials through the clerk's office or leave them with the official's secretary.
I stress this because of the many requests I have witnessed which were never funded because a packet of material was tossed in front of the officials on the night of the actual presentation. If I were on the other side of the table, I would feel a bit put upon to digest a proposal while the supplicant was also speaking to the issue. I doubt that I could make a decisive judgment on the spur of the moment.

Dress appropriately.
The city council chambers is not the place to show up in your casual clothes. I think the visual effect of a professional who talks and looks like a professional has a favorable effect on your presentation.

Take a couple of your board members with you for support. Be sure to have your president introduce you.
Your president might not have been involved at all in this project up to this point but his or her presence will indicate that your entire organization is solidly behind the project.

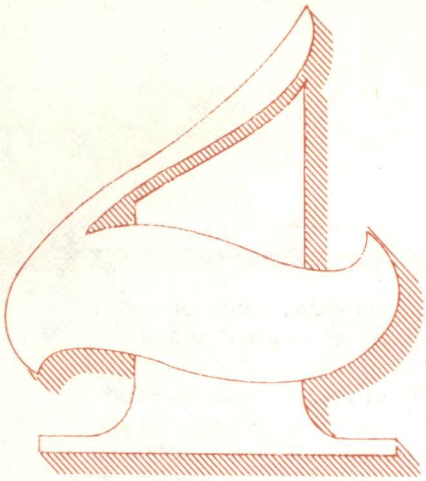
Make your presentation to the best of your ability.
Make it succinct but be sure to display your *utmost commitment and belief in the project.* Be enthusiastic. Show them that you are excited over the possibilities of working together. And never falter in your commitment.

Ask for questions.
This can be tricky but it must be done. *Never circumvent the question, or lie.* You can also say, "I'm not sure now, but I could certainly provide you with that information before you make your final decision." Then provide it.

Never show hostility or a negative reaction when you are asking for money.
Remain flexible in your thinking. If you bite the hand that you are asking to feed you, what have you gained?

Be sure to thank them for their consideration.
You have taken up their time and have added another concern to their workload.

(One sidelight here: When we appeared before the borough assembly to request close to $25,000 for our study project, I was anticipating a lot of questions. It was a lot of money for them to contribute to the arts; they had a tight budget to deal with; it was the first time we had approached them; and we wanted to use an out-of-state consulting firm for the project. When they did not ask me any questions, I realized that I would have actually preferred the "grilling" I expected. I thought the dreadful silence indicated total defeat. Later I found out that they simply didn't have any questions.)



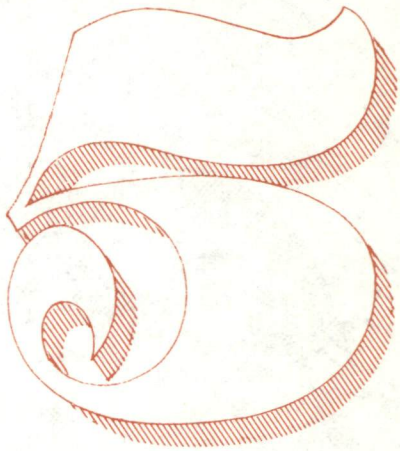
LOBBYING PERIOD

This is the period of time immediately following your appearance and prior to their actual decision on your proposal. It varies from city to city and this is probably the area where you will develop your own highly individualized method.

Make a few discreet calls to key people to find out what the informal reaction was. Feel out any problems. Spotlight some officials that did not like the project or who are ambivalent toward it. *Call on some of your board members to help you now.* A dinner party conversation, a lunch date, a phone call or two. Maybe you need to provide more information.

An example of a particular method that helped in our case: We had an elected official that had a reputation for voting in favor of the type of project we were proposing. We went to lunch prior to my appearance to discuss the matter and I detected a misgiving on his part about the project. He never told me what it was but it was obvious that he was ambivalent. We went to lunch after my appearance and I still detected the same noncommittal awkwardness in our conversation. As we got closer to the deadline for the vote, I decided to go and see him at his place of business. We got to talking but never once brought up the proposal. I realized then that he felt awkward and out of place talking about the arts over lunch. Talking casually in his own comfortable surroundings did more for our credibility than anything else.

Keep a mental vote tally going.



FINAL APPEARANCE

This is the night that they actually vote on your proposal. If you think it is necessary, make a brief appearance to reiterate your belief in the project. If it looks bad, take a couple of important civic leaders with you to say some supportive words. Remember, they are there to vote that night, so don't take up a lot of their time. Thank them again for their consideration and cross your fingers.

(Continued)

Other Information Sources

The Budget Process from the Bureaucrat's Side of the Desk by Philip Dearborn. Available from the League of Women Voters Educational Fund, 1730 M St., N.W., Washington, D.C. 20036 (35 cents).

Municipal Budgeting: A Primer for Elected Officials by Jesse Burckhead and Paul Bringewatt. Available from the Joint Center for Political Studies, 1426 H St., N.W., Washington, D.C. 20005 ($3).

City Budgets. Available from the Council on Municipal Performance, 84 5th Ave., New York, N.Y. 10011.

The Politics of Budget Decisions: The New York City Budget Process. Available from the Community Service Society, 105 East 22nd St., New York, N.Y. 10010.

General Revenue Sharing: Influencing Local Budgets — A Citizen's Action Guide. Available from the Center for Community Change, 100 Wisconsin Ave., N.W., Washington, D.C. 20007.

IF APPROVED

(In our case, they approved the project 10-1 and even vied to introduce it!)

Show your glee.

And believe me — that's what you feel.

Write heartfelt letters of appreciation the next day to everyone involved.

Start moving on your project immediately.

Sign contracts. Prepare to move as soon as they release the money to you. Arrange accounting and other matters with appropriate department heads.

Get a press release out quickly.

Or work with their public information officer so that the community knows about the appropriation as soon as possible.

Stay on top of the project constantly to catch problems as they crop up.

You are using local public trust monies and you better be sure that you use them well if you want any more.

Pat yourself on the back and then try to catch up with all the other things you left behind.

Be Careful . . .

Now that you've been down the garden path, let me give you a few words of caution so that you don't inadvertently turn it into a maze.

Be sure to get your signals straight with the municipal government regarding press releases.

Sometimes it would be politically unwise for the agency to publicize the appropriation you obtained. A few examples would be an arts-in-the-prisons program that was funded in the face of strong public opposition — or perhaps a terribly expensive renovation program for an auditorium when the public is screaming "back to basics."

Make sure that you are never a scapegoat for a municipal bungle.

When our auditorium was being renovated, the costs kept escalating and additional monies had to be sought several times from the City Council. We always maintained that the cost estimates that were projected were too low. At one point, when the situation was politically embarrassing for some administration officials, a conversation with them took the sudden turn that this was "my problem" and "our" (the Art Council's) cost estimates. After hearing them out, I replied that until we had the deed to the property and structure, the monies were in our coffers, and we were granted the authority and responsibility for making cost estimates for municipal governments, I was sure that it was not "our" problem. The point was made and we continued in our advocacy position and helped them come up with a solution that was not embarrassing to anyone.

Another meeting on the same subject required a very special technique. After some additional monies had been appropriated, there was a difference of opinion between our Council and the administrative officials in charge of the project as to how those monies were to be used. At the suggestion of a very astute member of our board, we asked to hear the taped portion of the City Council's meeting at which this additional appropriation was voted upon. I transcribed the pertinent portions and we attended a meeting with eight officials, all of whom were in agreement that we were wrong. After we went around the room one by one reconstructing this meeting, I pulled out the transcript and read verbatim what the City Council had voted upon. The situation was corrected at that meeting.

Never point your finger at an individual official.

You might have a difference of opinion or a downright dislike of the person (s) you may be dealing with, but I haven't met a department head yet who will respect you any more for criticizing personally one of his co-workers. You represent a citizen group and you are not responsible for the personnel your municipal governments hire. You will always get more with sugar than with vinegar! You might even find that the longer you work together the more you like the person (s). That has been my experience.

You have to be tough but not cynical in the political arena.

There will be times that you will be torn to shreds at a hearing. That's part of the game. If you allow yourself to be personally hurt or to become the eternal pessimist, you are not suited for this type of work. In the long run, you will hurt your own efforts.

You can pit departments and governments against each other to achieve a competitive effect, but watch out.
They *do* talk to each other and you can get caught in the middle.

Use your political base wisely.
When you are absolutely stymied, you can always hint at calling your constituency — people you provide services for, people in your community who believe in the type of work you are doing, other organizations with an interest in your program area. Don't use this power unless you have to. Subtlety is still the best method of negotiation.

You are privy to some inside information at times and be sure that you learn to keep your mouth shut!
Your credibility will quickly diminish if you become known as a gossip. I consider the relationship I have with our agency officials as a privileged one much like a lawyer-client relationship and I have had no problems in this area yet.

If your appropriation is part of a bond issue or surrounded by controversy, be prepared to offer all the help you can to the governmental agency.
There is no one better qualified to push your project to the public than you. If you are committed, you will see to it that you and your organization are involved in every step.

Don't just appear when you want money — or have a complaint.
You will be marked as a "problem" person. Go to your officials when you want to praise them or simply inform them of your progress. Keep your communications steady. How many of us would like to hear nice things said about us instead of just complaints?

Never assume that because you've had some successes that it will always be that way.
Always prepare as if you have a huge battle in front of you each time. One year you're in and one year you're out.

A Final Note

In conclusion, there is only one other thing that I can add from our experiences. If you are intimidated by politics or elected officials, or you are not comfortable in the role of a lobbyist, don't do it yourself. Find someone else who is good at this type of effort — someone who literally thrives on it. But above all, you must, as a professional arts administrator or educated Board member, recognize the need!

Carol Derfner

The Grantsmanship Center
NEWS

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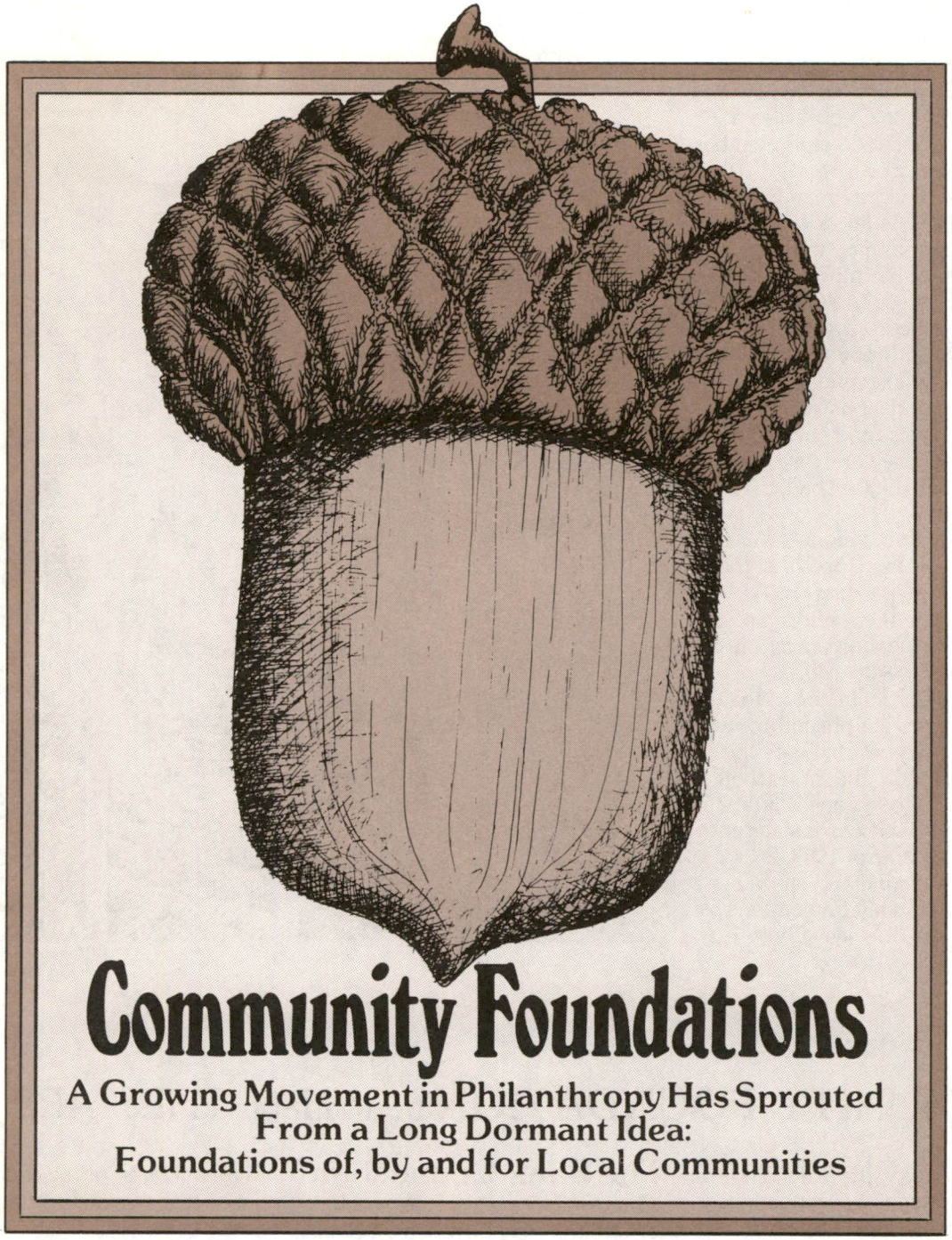

Community Foundations

A Growing Movement in Philanthropy Has Sprouted From a Long Dormant Idea: Foundations of, by and for Local Communities

No one knows exactly what they are, but everyone likes community foundations. Oh, you'll find dozens of people who don't like *this* community foundation or who think *that* community foundation makes old-fashioned grants. But take them as a whole and it seems the concept is one of the few things left in America that everyone can agree on.

A grant recipient in Ohio says,"Let me tell you, the Cleveland Foundation board is more representative of Cleveland than Cleveland is representative of Cleveland."

John May, who spent 26 years turning the San Francisco Foundation into one of the most dynamic and forward-thinking grant-making organizations in the country,

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By Jack Shakely

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says that the number of community foundations may double to 500 or more and their total assets may triple to $5 billion within the next decade.

"They are what United Ways would like to be, but can't," observes a community foundation staff member in upstate New York.

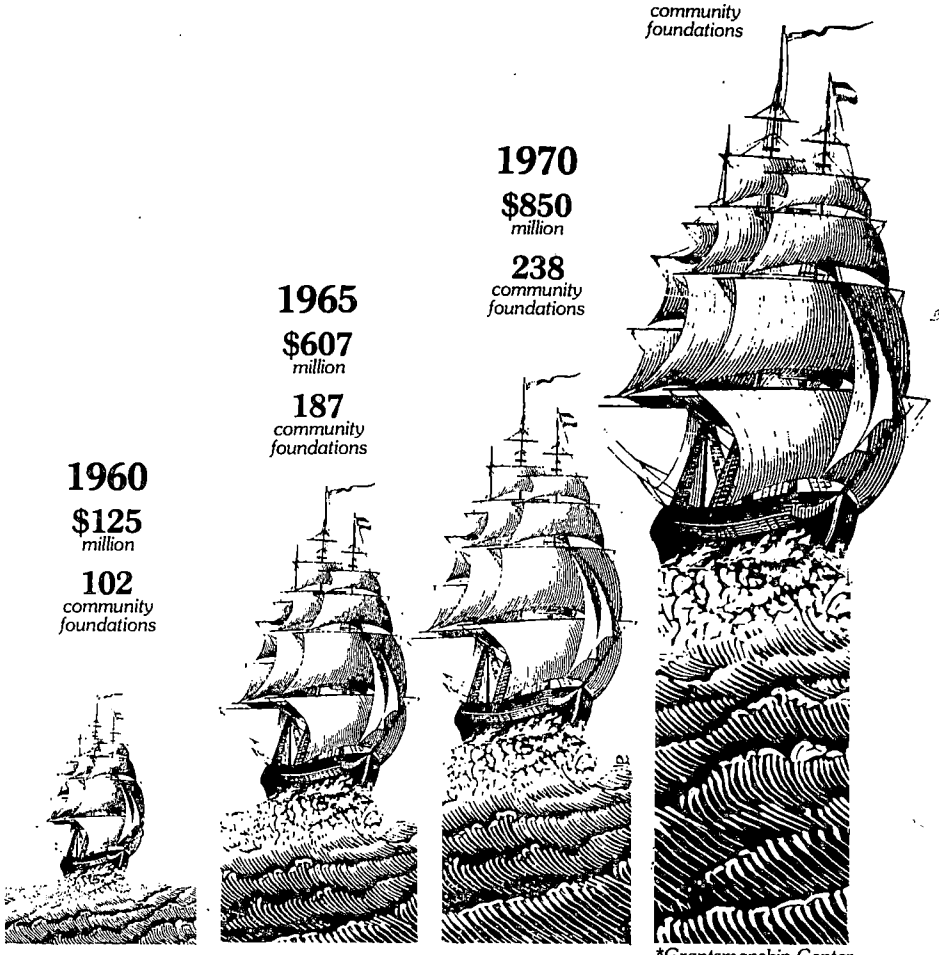
New York Congressman Barber Conable says, "As far as I am concerned, community foundations are the wave of the future."

Frankly, it doesn't take much of a ripple to become a wave of the future in private philanthropy these days. Still, with a few exceptions, community foundations probably justify all the praise and hopes. When they are good, they are very, very good, and when they are bad, they are still pretty good.

Community foundations—238 of them, or 290 of them, or 140 of them or 194 of them, depending on how you choose to define them (more on that later), are growing dramatically, both in number and assets. More importantly, their influence in the entire field of private philanthropy is growing even faster. One gets the feeling, in fact, that the foundation world, scarred, tough and a little embittered from the losses suffered in the Great Tax War of 1969, is nurturing, protecting and sternly grooming community foundations as if they were the only living heir.

Community Foundation Growth 1960—1975

Source: Council on Foundations



**Grantsmanship Center Estimate*

COMMUNITY FOUNDATIONS: *WHAT THEY ARE*

Some say that a definition of community foundations is impossible, that their various structures, their status under the law and their differing policies regarding how they distribute grants both geographically and programmaticly make any general statement only partly applicable.

Yet there are many commonalities among community foundations—some obvious, some not so obvious—that apply to the Parkersburg, W.V. Community Foundation as well as to the Chicago Community Trust and the San Francisco Foundation.

"The Bank Connection"

One similarity which has much more than purely historical relevance is that, unlike private foundations, community foundations were, and are, set up not by wealthy individuals but by the agents of wealthy individuals—primarily banks. For this reason, community foundations have built into their structure what Eugene Struckhoff, vice president of the Council on Foundations, calls "the bank connection."

The bank connection provides community foundations with two very strong assets. The first keeps them growing; the second has kept them remarkably free of the problems and abuses that plagued some private foundations.

First, the bank trust officer is a prime link between the donor and a charity. Any donor can contribute directly to any one of the hundreds of thousands of tax-exempt charities across the country. That he chooses to set up a charitable trust instead may indicate a certain cautionary nature, even an ambivalence, about the ultimate destination of his philanthropy. "Most people I talk to don't say 'I want to give my money to the Boy Scouts,'" said a trust officer. "Usually they say something like I'd

like this money to help out the children' or 'Set up the trust so it helps the poor and needy people here in town.'" The trust officer, who is usually familiar, and more importantly, comfortable, with directing trusts to the local community foundation, can make a suggestion to the donor at this point that can tip the scales.

Leaf through any issue of *Trusts and Estates* magazine and you will find how important making this connection is to national fund-raising organizations. Dozens of nonprofit groups, from the Salvation Army to United Action for Animals, advertise in the fiercely competitive but low-key style characteristic of deferred giving, trying to win just a few trust officers over to their side. These organizations know that the bank trust officer, even more than the family attorney, can have the greatest influence in determining which charity, if any, shall become the recipient of a legacy.

The second important aspect of the "bank connection" is one that may not have been articulated or even foreseen when community foundations were created.

Before the 1969 Tax Reform Act some foundations, especially family foundations, were susceptible to the whims of the philosophies and interests of the donor. Many of us have heard of the foundation set up by a paint manufacturer that would only make capital grants if you promised to use the donor's brand of paint, or the foundation that will give to art museums only if the museum agrees to rename itself after the donor and allows the donor to select the museum director and the paintings to be purchased.

Bank trust officers provide a buffer that virtually eliminates this donor whimsy and control. Trust officers will handle dozens of trusts at the same time. The trust officer is a fiduciary, and while he has a responsibility to the donor in creating the trust, his primary responsibility is to the bank —seeing that the trust is invested wisely and distributed accordingto the rules set up when the trust was created. Moreover, banks, because they are so important to the economic health of the nation, are regulated fairly closely by the federal government. No bank officer wants to jeopardize his career and the future of his bank merely to satisfy a donor's current fancy to sell more widgets by making grants only to those who promise to buy a widget. In fact, as we shall see later, most trust banks involved with community foundations are purposefully set apart from the grant distribution end of the foundation.

Jack Shakely is training coordinator for the Grantsmanship Center.

One trust was set up by an English tobacconist who stipulated that after his death his rents should be used to purchase snuff for old women residing in the parish.

Cy Pres and the Variance Power

A trait shared by all community foundations and one of the major factors that led to the creation of the community foundation concept itself is the legal doctrine of *cy pres.*

Literally meaning "as near as," the *cy pres* doctrine had long been applied by the courts to amend a trust whose originally-specified purpose was impossible to accomplish. For example, if a trust specifies that it is to be used to help daughters of civil war veterans get an education, a court may modify the trust to allow it to be used to help daughters of veterans of a more recent war.

From their very beginning, community foundations have made the concept of *cy pres* an integral part of their governing documents. These governing documents, almost without exception, include a power of variance (*cy pres)* that allows the community foundation to vary the trust terms designated by the donor without resorting to the courts. Although in the absence of the variance power the courts can and still do apply *cy pres* to change an unworkable trust, the process is lengthy, expensive and not always successful. By making the concept of *cy pres* a basic element of its structure, a community foundation not only assures itself of potentially being able to change grant distribution to reflect the current needs of the community, it avoids the debilitating expenses and the occasional bad publicity that court fights can engender.

Although community foundation people don't mention this very often, the power of variance is also an attractive idea to the more skeptical donor, who may desire to contribute to a specific charity as it exists *today* but who may question whether it will continue to do good work or even continue to exist in the future.

The variance power has been called upon by community foundations not only to modify such obviously non-functioning trusts as one set up to provide scholarships "for the immediate families of civil war veterans," but also for some not-so-obvious reasons. For example, the New York Community Trust once withheld grants from a designated fund to a local hospital when it was discovered that the hospital either could not or would not spend the money to modernize its outdated facilities and was simply placing the money in its rapidly-expanding endowment fund.

It should be pointed out, however, that while *cy pres* still plays a role in all community foundations and is touted by community foundation people as one of their strongest points (Norman Sugarman, a Cleveland attorney and an expert on community foundations, calls *cy pres* "the genius" of the community foundation plan), the current emphasis on unrestricted, no-strings-attached funds is gradually diminishing the importance of the doctrine.

Local Emphasis

There is no such thing as a national community foundation. While it may seem a redundancy of the most basic sort to state that a community

foundation makes grants primarily within its community, grant seekers occasionally forget, or try to deny, this simple truth and send proposals half-way across the country to community foundations which couldn't fund the proposals even if they wanted to.

Rest assured that even if the Columbus Foundation, say, is making grants to every organization in Columbus that is similar to yours, it won't make a grant to your organization in Texas, regardless of how good your project is or how many influential people in Columbus you might know.

To achieve the crucially important public charity status a community foundation must name itself after the community it serves, it must make grants within that community and its board (or distribution committee) must represent the community.

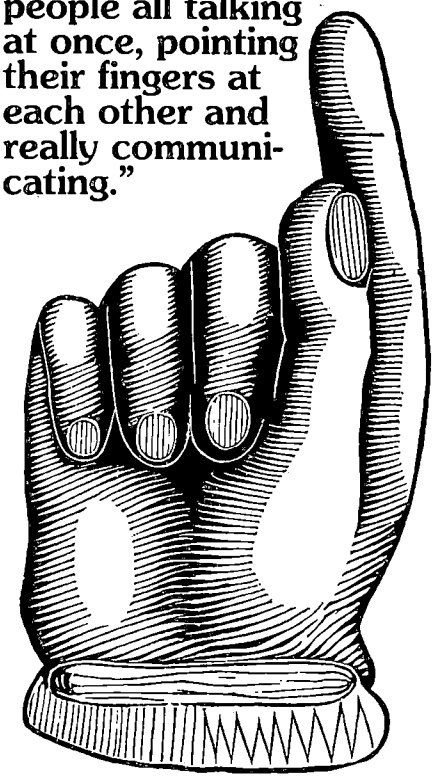
The geographic area that a community foundation can serve need not be so limited as the word might suggest. The New Hampshire Charitable Fund, the Rhode Island Foundation and the Hawaiian Foundation, for example, have "communities" which encompass their entire states. Others, such as the San Francisco Foundation, have logically extended their grant distributions to adjoining cities to reflect the "city clusters" of many metropolitan areas.

"I would hope that the nature of most new community foundations will be to define themselves more regionally," said May, the former director of the San Francisco Foundation.

"This will go a long way in helping community foundations respond to population drifts, and would help those smaller towns that don't have the financial ability to establish their own community foundations."

Although the local focus of a community foundation is one of its real strengths, especially in attracting new donors, the restrictions imposed by these strict geographic limitations can cause problems. Bruce Newman, executive director of the Chicago Community Trust summed it up this way: "We are limited by charter to make grants 'that are of benefit to the inhabitants of Cook County.' What troubles us is the knowledge that

"Their meetings look like a microcosm of the city itself. . .when I got in there I found rich and poor, men and women, ethnic representatives and special interest people all talking at once, pointing their fingers at each other and really communicating."



what is of benefit to the inhabitants of Cook County may occur outside Cook County."

Representative Governing Body

Another commonality, and one that immediately distinguishes community foundations from private foundations, is that each community foundation must have a governing body that is made up not only of people from the community the foundation serves, but which "represents" that community.

There are very pragmatic reasons for this. For a community foundation to survive, it must attain public charity status. Without this status, a community foundation reverts to private foundation classification, thus losing all of its attractiveness to the potential donor (see box page 11).

At present there are only two ways that a community foundation can attain public charity status. The first way, called the "mechanical" test, allows a community foundation to get that status if at least one third of its support every year (the law allows the community foundation to look back over a four-year period) comes from current contributions from the public or the government.

While this test may serve organizations such as the Boy Scouts, very few community foundations can meet it. Larger community foundations have a hard time meeting the "mechanical" test because the annual income from endowment may be millions of dollars every year; smaller community foundations seldom can meet the test because only 2 per cent of the total support of the foundation over a four-year period from any one individual may be counted as public support. For example, a community foundation might have total support (usually contributions received plus endowment income) of $500,000 over a four-year period. If part of that support consists of one $250,000 gift, the foundation can count only $10,000 of that gift (2 per cent of $500,000) as "public support."

The other test, and the one under which perhaps 100 community foundations have received public charity status, is the "facts and circumstances" test. Under this test, a community foundation is required to show only a minimum of 10 per cent support from the public or government. In addition however, the foundation must present "facts and circumstances" that show that it has the characteristics of a publicly-supported organization. Some of these characteristics include an effort to attract public support, publication of annual reports and, very importantly, a governing body that is representative of the public.

Exactly what "representative" means is still a matter of great concern and conjecture among community foundation people. Current Internal Revenue Service regulations certainly aren't much help. The IRS considers a governing body "representative" if "it is comprised of public officials acting in their capacities as such; of individuals selected by public officials acting in their capacity as such; of persons having special knowledge or expertise in the particular field or discipline in which the organization is

operating; of community leaders, such as elected or appointed officials, clergymen, educators, civic leaders, or other such persons representing a broad cross section of the views and interests of the community..." If you can't fit into at least one of those categories in your community, chances are you live under a rock. The term "civic leader" is so amorphous that the mere fact that a group of other community people have selected you to sit on a community foundation board may be proof enough.

To their credit, most community foundations go out of their way to set up board selection procedures that address not only the letter, but the spirit of those vague regulations. As already mentioned, the Cleveland Foundation enjoys a reputation of having a governing body that not only represents the community, but reflects it as well. "Their meetings look like a microcosm of the city itself," said one grant recipient who had been invited to discuss a proposal. "I thought I was going to make a presentation to a bunch of bank presidents, but when I got in there I found rich and poor, men and women, ethnic representatives and special interest people all talking at once, pointing their fingers at each other and really communicating."

The Oklahoma City Foundation, one of the newer and smaller community foundations, tries to avoid the sticky game of defining "community representation" by having five of its nine trustees appointed by public institutions such as the chamber of commerce, the city council and the local university.

Most community foundations follow this pattern of board selection (for one which does not, see the box on the California Community Foundation, page 20). Many foundations rely on judges as appointing authority, perhaps because of their non-partisan status.

In anticipation of new regulations from the IRS concerning board tenure, a few foundations such as the Chicago Community Trust are limiting board membership to a set period of time, usually five to 10 years.

There are no easy answers to the community representation question, and community foundation staff struggle with the problem daily. On the one hand, there is the hope that the board will represent to the potential donor an aura of financial stability, integrity and peer group motivation, while on the other hand represent to grant seekers and the community at large an attempt to enfranchise all elements and interests of that same community. Perhaps it is good that this struggle should go on indefinitely, thereby applying organizationally the Charles Atlas theory of dynamic tension, which we all know will make you strong as an ox *if you do it every day.*

David Warfield, 1866-1951, founder of the David Warfield Fund which is now part of the New York Community Trust. An actor whose name was a household word early in the century, Mr. Warfield is seen here in his role as "The Auctioneer."

Accepting Money From Donors

In the more than fifty community foundation annual reports read in preparation of this article, there was one thing the foundations shared. Each expected to grow considerably bigger, not only in the near future but for decades to come.

More than anything else, the fact that community foundations accept donations (and some "accept" very aggressively) provides the most insight into what community foundations are and how they behave.

Most private foundations in this country aren't staffed. In their 1972 study, Foundation Administrator, Zurcher and Dustan estimated that there were only about 1,500 private foundation staff shared among 26,000 private foundations, and about half of these were employed by 13 project-oriented foundations.

Most community foundations *are* staffed. Some of the newer and smaller community foundations may not be able to afford paid staff, but it is a pretty good bet that there will be at least one staff person, either paid or volunteer, at every community foundation.

The reasons behind this are pretty obvious. Empty post office boxes don't attract new donors. "With size you get staff, and with staff you get more size," Bruce Newman said.

For many of the newer community foundations, the staff is often provided and paid for by one or more of the trust banks, as is office space.

"We started the San Francisco Foundation with exactly $20 in assets," May said. "Yet we knew that without proper staffing, we could never get the kind of donor interest we needed to grow. From the very beginning, we tried to be as visible as possible, doing the things that needed doing, and also taking credit for them. We made grants in those early years at a much greater pace than our investments would have warranted. We distributed more to attract more."

So here we get anothr clue about community foundations in general. Not only are they normally staffed, but unlike many private foundations, the staff needs skills in fund distribution and fund raising. Many community foundation staff people have, therefore, spent time in the trenches at the other end of the grant-making process.

One such person is Bruce Newman, who before coming to the Chicago Community Trust worked for the state of Ohio, where he was responsible for attracting more than

$700,000 in private foundation grants to the state.

As a former grant seeker, Newman is concerned as much about the process by which an applicant approaches the Chicago Community Trust as he is about the distribution of grants. "We know we can't fund every project that comes before us," Newman said, "but we try to insure that the dignity of every grantee, whether successful or not, is maintained and that the 'human factor' is a part of every grant review." Other community foundation staff interviewed for this article often echoed this sentiment in one form or another, and seemed to share both an understanding and concern for the grant seeker.

Being "as visible as possible," as John May said, is also essential for any community foundation which is seriously trying to stimulate new donations. Seldom will you find a community foundation which subscribes to the theory held by some private foundations that "the less you know about us, the better." Community foundations which hide from grant seekers will also find themselves hidden from potential donors.

Some of the smaller community foundations, knowing it takes assets of at least $5-10 million to be able to afford full-time paid staff, sometimes become very aggressive in their solicitation of new donors. The Dallas Foundation, for example, sent out a piece to all private foundations in Texas urging them to donate their assets to the community foundation and escape all those inconveniences imposed by the nasty ol' Tax Reform Act of 1969. With copy right off of Madison Avenue, the Dallas Foundation proclaims it "offers the opportunity to private foundations to protect their philanthropic thrust from potential erosion imposed by the Tax Reform Act of 1969 while maintaining their donors' identity and influence on contributions made from private foundation assets."

Not many community foundations are as zealous as this in attracting new donors (and the Dallas Foundation may be inviting some future legal difficulties with its statement concerning the maintenance of donor influence), but it is true that many community foundations find that by increasing public exposure they can greatly increase donations, not only from private foundations but from corporations and individuals as well.

Frederick Goff
The Johnny Appleseed of Community Foundations

The results of this increased exposure can be dramatic. The most vivid example is a continuing two-year experiment taking place in Columbus, Ohio. Dr. Leeda Marting, executive assistant for the Columbus Foundation said, "We wanted to see if the same marketing techniques that have proved successful in industry could be applied to a community foundation." With an enabling grant from the Bertha T. Johnson Charitable Trust, a local private foundation, a total media campaign was launched to inform the general public about the existence of the Columbus Foundation, about some of the grants the foundation was making and about the fact that an individual could make a donation to the foundation.

Using a very low-key approach, the Columbus Foundation produced television and radio spots, newspaper ads and a series of full-page magazine ads which ran in the Regional Magazine Network (Time, Newsweek, US News and World Report, and Sports Illustrated).

For the local newspapers, a series of ten ads, one each week for ten weeks, was published dealing with various aspects of the foundation. (The ads are reproduced on page 7.)

One of the results of the media campaign could easily be predicted. "We received a 60 per cent increase in requests for funds in the year following our first campaign," Dr. Marting said, "and we envision a proportionate increase this year."

Those interested in making a donation to the foundation also increased. "While it is, of course, impossible to tell exactly which donations came in as a direct result of the ad campaign, almost $7 million in gifts and bequests were ear-marked for the foundation during or immediately after the campaign, which is by far the largest growth we've experienced in our 30-year history," Dr. Marting said. (Prior to the campaign the foundation's assets totaled $17 million.)

Although the Columbus example is the most dramatic, its predilection to expose itself to public scrutiny is far from unique among community foundations.

Because of this, obtaining information about your local community foundation may be easier than obtaining information about most private foundations in your area.

History and Types of Community Foundations

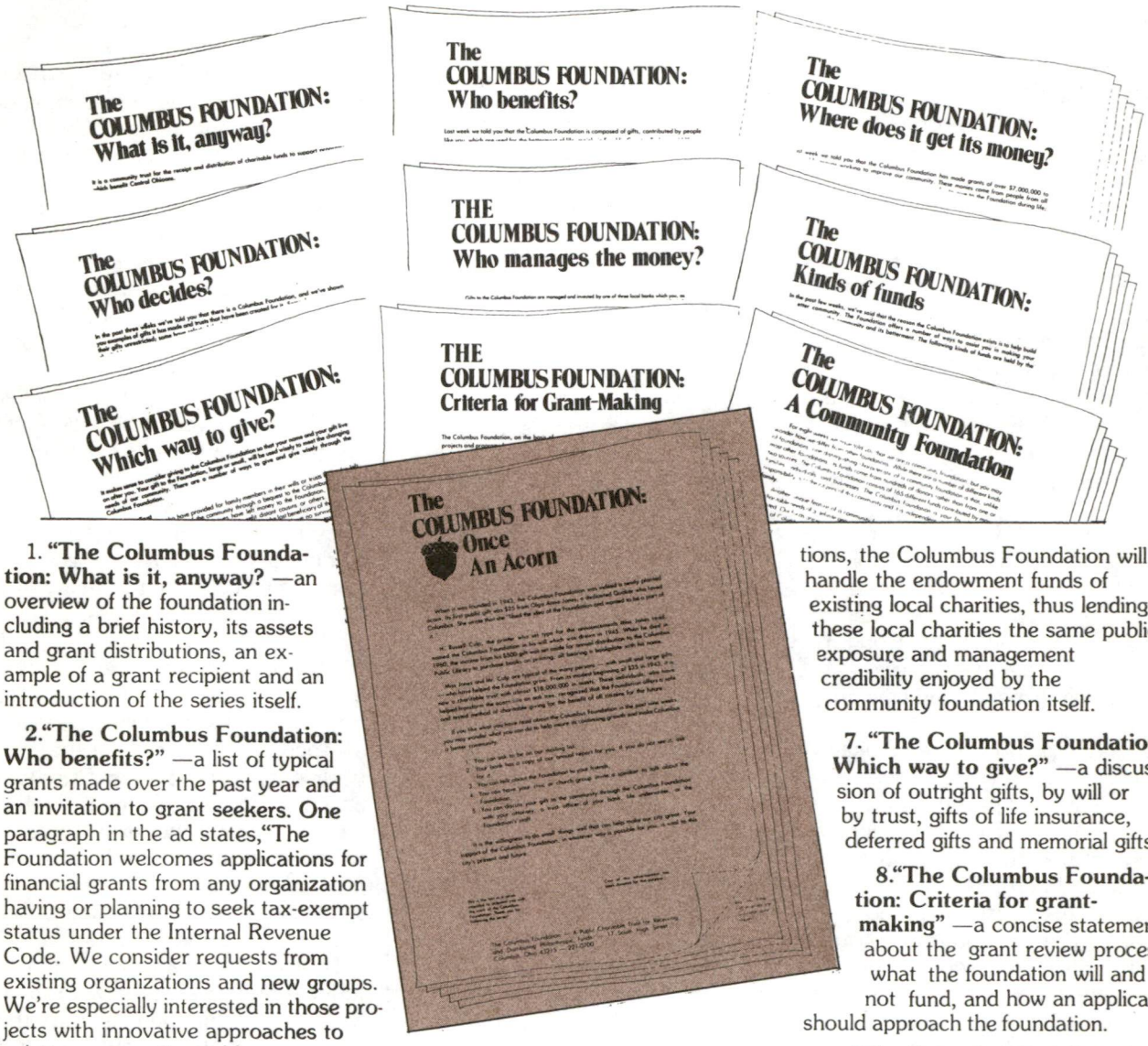
Curiously enough the community foundation, the "wave of the future," is also one of the oldest concepts of organized American philanthropy.

In 1914, only a few years after Andrew Carnegie and John D. Rockefeller created their private foundations, a group in Cleveland, headed by Frederick Goff, then president of the Cleveland Trust Company, established the Cleveland Foundation. (Those must have been interesting days for philanthropists in Cleveland, for at nearly the same time another group of Cleveland fathers were creating the first Community Chest, forerunner of the United Way. There is a touch of irony in this historical note, which we'll point out later.)

Actually, the community foundation idea created by Mr. Goff in Cleveland was less of an innovation in

The Columbus Foundation Goes Public

This series of ads about the Columbus Foundation, which were run in local newspapers, helped generate what is "by far the largest growth we've experienced in our 30-year history," according to the foundation's director. The foundation also developed television and radio spots as well as magazine ads.



1. **"The Columbus Foundation: What is it, anyway?** —an overview of the foundation including a brief history, its assets and grant distributions, an example of a grant recipient and an introduction of the series itself.

2."The Columbus Foundation: Who benefits?" —a list of typical grants made over the past year and an invitation to grant seekers. One paragraph in the ad states,"The Foundation welcomes applications for financial grants from any organization having or planning to seek tax-exempt status under the Internal Revenue Code. We consider requests from existing organizations and new groups. We're especially interested in those projects with innovative approaches to solving community problems.

3."The Columbus Foundation: Where does it get its money?" —five examples of individual donors to the foundation, with gifts ranging from $500 to $600,000. An extremely low-key appeal for funds was also included: "Talk to your attorney, a trust officer of your bank, or Foundation personnel about ways the Columbus Foundation can assist in your charitable giving."

4. "The Columbus Foundation: Who decides?" — a list of all the members of the foundation distribution committee and how they are appointed, a brief description of how grants are made and a layman's explanation of the *cy pres* doctrine.

5."The Columbus Foundation: Who manages the money?"—a listing of the foundation's trustee banks and an explanation of both how they invest the funds and what fees they charge. The ad also listed the foundation's distribution committee again as well as all members of the foundation's staff.

6."The Columbus Foundation: Kinds of funds." —an overview of the various ways a donor may make a gift to the foundation. (It is interesting to note that, unlike most community foundations, the Columbus Foundation will handle the endowment funds of existing local charities, thus lending to these local charities the same public exposure and management credibility enjoyed by the community foundation itself.

7. "The Columbus Foundation: Which way to give?" —a discussion of outright gifts, by will or by trust, gifts of life insurance, deferred gifts and memorial gifts.

8."The Columbus Foundation: Criteria for grant-making" —a concise statement about the grant review process, what the foundation will and will not fund, and how an applicant should approach the foundation.

9. "The Columbus Foundation: A community foundation"—a brief description of the community foundation concept, with a listing of the 15 largest community foundations in the country.

10."The Columbus Foundation: Once an acorn" —a recapitulation of the information contained in the previous nine ads with suggestions on how more information about the foundation can be obtained.

Each of the full-page ads in the series contained the address and telephone number of the foundation.

philanthropy than it was an innovation in banking. Wealthy individuals had been setting up charitable funds in banks, either through wills or gifts, for well over a century.

That was part of the problem. Many of these trusts, created to deal with problems or charities which had long since vanished, were lying dormant in banks across the country. An example of such a trust, cited in the booklet "The Chicago Community Trust Sixty Years," was one set up by an English tobacconist who stipulated that after his death his rents should be used to purchase snuff for old women residing in the parish. Later the district ceased to be a residential area and snuff became somewhat less popular.

Although the *cy pres* doctrine was already recognized in American jurisprudence, most of those trusts, regardless of how wacky or outdated, were seldom challenged. There were three basic reasons for this.

First, the legal principle that a person could specify the direction of a charitable trust even after his death, sometimes called the "dead hand restraint," was every bit as strong and somewhat more appealing to Americans in general than was *cu pres.*

Second, if *cy pres* were invoked, the court was forced to choose a related charity or philanthropic purpose. Many judges were reluctant to take on this burden.

Third, and perhaps most important, the courts could not impose *cy pres* gratuitously. In order for a trust to be broken, someone must want to break it, which means going to court, paying the legal expenses and perhaps losing. The banks, although they found these unworkable trusts an administrative pain in the neck were not often willing to risk the time, money and occassional adverse publicity over such a court fight, and for the most part the general public simply didn't know the trusts existed.

The Cleveland Plan, as it came to be known, simplified matters greatly. Under the declaration of trust adopted by the Cleveland Trust Company which created the Cleveland Foundation, the bank offered to accept gifts and bequests in trust with a stipulation from the donor that a group of citizens, "selected by representative community leaders as being well versed in community needs and services," would have the power to amend the trust if the donor's instructions "became impossible, impracticable, unnecessary or undesirable."

This plan suited the bank trust officers perfectly. They could continue to administer and invest the various trusts under their legally-established authority as fiduciaries, while at the same time the sometimes vexing responsibility of modifying trusts or selecting beneficiaries would pass to the citizens' group.

The citizens who were given the responsibility of selecting the charitable beneficiaries were also given a name—the distribution committee. The original number of committee members was five: one selected by the senior or presiding judge of the U.S. District Court serving Cleveland; one selected by the judge of the Probate Court or whichever court had jurisdiction over the estate settlements in Cuyahoga County; one selected by the city manager of Cleveland or the chief executive officer of the city; and two selected by the bank.

The structure created by the Cleveland Foundation, known as the "trust form," not only became the classic structure for many, if not most, of the community foundations created thereafter, it also provided a continuing source of bewilderment for many people as to exactly what a community foundation was, and is.

Unfortunately, while the trust form is certainly logical and easily understood by bankers, it is sometimes confusing to many of us outside the trust business. The problem is that community foundations set up under the trust form don't exactly "exist," at least not in the way that many people steeped in the concept of the traditional corporate structure were accustomed to thinking. Yet with a few exceptions, the forms under which community foundations are created have more legal than actual significance, as a brief examination of the various forms will show.

Basically there are two community foundation forms: the corporate and the trust. Within the trust form there are three variations. (See box on the following page.)

The 'Classic' Form

Perhaps because the Cleveland Foundation was the first (and for many years the largest) community foundation, the trust form was long considered supperior to the corporate form. As late as 1961, the Council on Foundations suggested in its publication "Community Fouccations in the United States and Canada 1914-1961 that: "When considering the structure of the contemplated foundation, the organizing committee

A Trust By Any Other Name Is Still Confusing

The Pew Memorial Trust calls itself a trust, but the government calls it a foundation. The San Francisco Foundation calls itself a foundation, although it's really a trust. The IRS calls all community foundations "trusts" although most community foundations are not in the trust form.

Don't let this confuse you. The words "trust," "foundation," "endowment" and "fund" are used indiscriminately and often inappropriately to the point that their original meaning is blurred, perhaps insignificant. Black's Law Dictionary lists 17 different kinds of trusts, each with a slightly different meaning.

What is significant is the status of the philanthropic organization under law. The Pew Memorial Trust, Ford Foundation, Lilly Endowment and Carnegie Corporation are all private foundations and must meet the requirements imposed on all other private foundations. Community foundations are classified as either public charities or private foundations. It makes no difference whether the community foundation is in the trust or corporate form—if it has achieved public charity status it enjoys all the benefits of a public charity. If it has been classified as a private foundation, a private foundation it is, even if it calls itself the Community Trust Foundation Endowment Fund, Inc.

would do well to study the soundness of the classic patern exemplified by the Cleveland, Pittsburgh, and the San Francisco Foundations, the Chicago and New York Community Trusts, and certain others."

While it is true that community foundations created by bank resolution will obviously enjoy "band connection" mentioned earlier, there are numerous disadvantages inherent in the trust form

The major disadvantage (almost a contradiction in fact) of the trust form is that the distribution committee, while empowered to modify any trust within the foundation, frequently is unable to modify its *own* resolution of turst. A change in the community foundation resolution, whether it's changing from a single to multiple bank structure or simply adding a new member to the distribution committee, may have to be submitted to the courts as a trust amendment. For exampel, the San Francisco Foundation is currently trying to expand the membership of the distribution committee from seven to nine members, with one of the additional members to be appointed by the United Way, the other by the trustee banks. This amendment is now going through the court and will probably be approved, but the time between the foundation's desire to expand its membership and the implementation of this expansion will be months, at best.

"We generally encourage the corporate form."

This rigidity of the trust form may impose very great problems on some community foundations if and when federal regulations are enacted defining these foundations. If these regulations require a change in the foundation's structure, trust form community foundations may have to resort to the court to realize the required change.

Another disadvantage of the trust form is the very real possibility, and often actuality, of financial conservatism brought about by the separation of the investment-making body and the grant-making body. The concept of program-related investments (such as holding stock in minority businesses or buying low-yield hospital or college building bonds), which has been heralded by the Council on Foundations and others as a very positive innovation in private philanthropy, is difficult if not impossible to implement by trust form community foundations. The high risk involved in many program-related investments may appear counter to the sound investment policy to which all trust officers are dedicated. Although the distribution committee has complete authority over the grants to be made from the income of the foundation, the committee seldom has any influence over the principal.

The Chicago Community Trust is a case in point of the conservatism in financial policy that often results, as executive director Newman explained. "We make grant commitments equal to our income. We get an accumulation of cash at the end of the year which is offset by

Legal Forms of Community Foundations

The Single Bank Trust

This is the model originally established by the Cleveland Foundation in 1914. It is still used by a few community foundations, such as the California Community Foundation. This form, however, has been forsaken by most community foundations, including the Cleveland Foundation itself.

Under this form, the community foundation is created by a resolution of only one bank, which has sole responsibility for the management of all foundation funds. Typical of all trust form community foundations, the bank has no power over the allocation of funds, a task which is left to the discretion of a distribution committee.

Multiple Bank Trust

Again, the community foundation is created by bank resolution. In this case though a community foundation "plan" is adopted whereby more than one bank can participate as long as each agrees to act as trustee to receive gifts or bequests to the community foundation and to administer them for the benefit of the community.

These multiple bank trusts also have distribution committees which have authority for all grant distributions. In both the single and multiple bank trust forms, the bank resolution establishing the community foundation specifies how members of the distribution committee will be appointed.

Well over half of the community foundations in the country are of the multiple bank trust form, including the San Francisco Foundation, The New York Community Trust, the Chicago Community Trust and, for many years now, the Cleveland Foundation.

Trust Form with an Incorporated Distribution Committee

Community foundations operating under this form, such as the Committee of the Permanent Charities Fund of Boston, contain all the components of the trust forms mentioned earlier. The difference is that under this form, the distribution committee is incorporated as a nonprofit corporation and the method of appointing members for the committee is specified by the committee's articles of incorporation, not by the bank resolution.

Corporate Form

This is the community foundation form most easily understood by laymen. An incorporated community foundation is identical to any other nonprofit corporation, complete with articles of incorporation, by-laws and a board of directors. Under the corporate form, the board of directors replaces the distribution committee.

Corporate community foundations do not necessarily contain the classic separation of power between fund investment and grant distribution, although most corporate community foundations select trustee banks or form investment committees to perform the investment function. In addition to the fact that some states require the corporate form, many of the newer community foundations are choosing the corporate form because of its inherent flexibility

future commitments. We are probably too conservative about this because we commit only those funds in hand. The rule of the Trust is not to commit future income in any way. That means a $500,000 grant to the University of Chicago, say, will be charged against this year's income, even though the payments may be made over a five-year period."

Most of the recently established community foundations are in the corporate form. "We generally encourage the corporate form," said Ed Thomson, executive associate of the Council on Foundations.

Not only are people more at ease with this form, it is far less cumbersome. The board of directors of a corporate community foundation may expand the size or change the tenure of its board members by simply amending the by-laws. The board may choose one or a number of trustees to invest its funds, or it may, as in the case of the New Hampshire Charitable Fund, do its own investing.

The Growth of the Community Foundation Movement

Back in 1914, however, the various forms which a community foundation might take were vastly less important than the community foundation concept itself. By 1915 community foundations had sprung up in Chicago, Los Angeles, Boston, Detroit, Milwaukee and Minneapolis (because of state laws, the Minneapolis Foundation was set up as a nonprofit corporation, the first of its type).

In 1916 the Indianapolis Foundation was created as the first multiple bank trust. The New York Community Trust followed the Indianapolis model, and today is piling up capital through no less than 18 participating banks. It didn't take most of the other community foundations across the country long to figure out that if one bank was good, more would be better, and the multiple bank trust form soon became the vogue. Even

It is possible that community foundations will account for a full one-fourth of all private foundation assets by the mid 1980's.

the "Mother Church," the Cleveland Foundation, switched to multiple trustees.

By 1930, there were probably 84 or 85 community foundations in America. An exact count is not possible because the tabulation was made by the Turst Company Division of the American Bankers Association, which failed to recognize any community foundation using the corporate form. Of the 74 community foundations reported, 37 were listed as single and 37 as multiple-bank trusts.

Then came the depression and the community foundation bubble burst. The banking industry became too concerned with solvency and runs on the bank to give the creation of a community foundation much thought, and most of the people who were lucky enough to have any extra wealth held on to it. (It is also interesting to note that Frederick Goff, who appears to have been something of the Johnny Appleseed of community foundations, died in 1933).

World War II also directed national attention away from community foundations. By 1945, there were only 90 community foundations and 17 of these were either inactive or had no working capital.

During the next 20 years, interest in community foundations was rekindled, although nothing like the halcyon days of 1914-1925. By 1965 the number of community foundations had risen to 187 and their total active capital was about $600 million. Edition three of the Foundation Directory, published in 1967, noted that "The assets of such trusts have shown steady, though not spectacular, increase through the years."

Even in 1970, Giving USA pointed out that while active capital had increased a respectable 7.04 per cent to $794 million, gifts to community foundations were off more than 10 per cent. Prior to 1970 only 30 of the 238 community foundations had obtained rulings from the IRS declaring them publicly-supported organizations.

Then all hell broke loose, in the form of the 1969 Tax Reform Act. The more than 200 community foundations that had not yet applied for public charity status realized they might suddenly find themselves classified as private foundations, complete with all the trimmings including a 4 per cent excise tax on net investment income. In the two years that followed every community foundation with sizable assets filed for public charity status—raising the total of actual or pending publicly-supported community foundations to almost 200.

But the Tax Reform Act was certainly not all bad for community foundations, as Gene Struckhoff of the Council on Foundations explained in a bit of an understatement: "The Tax Reform Act has forced some private foundations to explore whether it wouldn't be better to terminate in favor of a community foundation. Many of the smaller ones have done just that." And so have a goodly number of the larger ones. In addition, thousands of funds that might have become private foundations in earlier days chose to become separate funds within a community foundation instead.

Suddenly the word "growth" in community foundations took on new dimensions. The New York Community Trust, which had taken 45 years to amass $65 million (even with 18 banks), found it took less than eight years to double, then triple, that amount. The San Francisco Foundation, which had assets in 1965 of $6.7 million, jumped to $48 million by 1973.

Even the normally unflappable editors of Giving USA got a little unnerved. In the 1973 report, the editors noted that "recent community foundation growth has been substantial, with assets increasing more than 30 per cent since early 1971 ...asset, grant and contribution figures are up by startling 30.9, 23.1 and 29.3 percentages respectively." Giving USA finished its report by saying: "The record is impressive."

Although 1971 and 1972 were the banner years for community foundation growth, the increase in gifts received has been a steady and extremely healthy 10-12 per cent per year through 1975. It is also intersting to note that the severe stock market decline of 1974, which sent total private foundation assets tumbling almost 30 per cent, decreased community foundation totals by only about 15 per cent. This doesn't mean that community foundation portfolios were more wisely invested, rather that the growth in community foundation contributions even in that turbulent year greatly offset the paper losses experienced in the market. ("Remember, too," said Ed Thomson, "that a drop in asset value does not necessarily reflect a drop in grant-making ability." This is especially true with community foundations, which generally make grants based on their annual income rather than on a certain percentage of assets.)

Of course, the dramatic increases in community foundation assets must be kept in perspective. Even today, the combined assets of all the community foundations in the country ($1.5 billion) are smaller than the Lilly Endowment. It is also true that in 1974 the Ford Foundation paid more money in excise taxes than the Chicago Community Trust distributed in grants.

Even with this caveat, however, the community foundation movement is impressive. Over the past decade the total assets of American private foundations have increased only about 2 per cent, despite the $1 billion increase in the Robert Wood Johnson Foundation. While community foundations represented only slightly more than 2 per cent of all private foundation wealth in 1965, today that figure is 7 per cent. Projecting this pattern forward (which would assume a more conservative growth pattern than that mentioned by John May earlier in this article) it is possible that community foundations will account for a full one fourth of all private foundation assets by the mid-1980's.

Will the growth that John May and others see for community foundations continue? There is reason to believe it will. Harking back to Bruce Newman's statement that with growth you get staff and with staff you get more growth, the fact that many community foundations have experienced from 50 to 300 per cent increases over the past five years is indicative. Moreover, recent successes have emboldened many community foundations to become more aggressive in their fund-raising efforts.

Some people say that the windfall caused by private foundations terminating and transferring their assets to community foundations is now over. In terms of the total number of private foundations that will terminate in the future this may be true, but that doesn't at all give a clear picture of the present situation.

First, many of the private foundations that initially transferred their funds to community foundations were small and unstaffed—foundations that had neither the inclination nor, in some cases, the expertise to comply with the many requirements imposed by the 1969 Tax Reform Act. Recent private foundation terminations, while less numerous, have tended to be bigger, including the $17 million Oakes Foundation to the San Francisco Foundation and the $14 million Searle

The Benefits of Public Charity Status

The advantages to a community foundation of attaining public charity status are massive. Such foundations enjoy at least six benefits that private foundations do not have:

1. A donor wishing to set up his own private foundation may deduct his contribution up to only 20 per cent of his adjusted gross income, with no carry-over in subsequent years. That same donor may make a gift to a community foundation which has been classified as a public charity and receive a deduction up to 50 per cent of his adjusted gross income. In addition, if the donation is greater than 50 per cent of the donor's adjusted gross income, the excess may be deducted over five succeeding years.

2. Community foundations with public charity classification may also maintain pooled income funds (a type of deferred gift), something private

3. There is a 4 per cent tax on the investment income of private foundations; there is no tax on public charities.

4. Private foundations must expend all investment income or 6 per cent of total assets (whichever is greater) every year in grants; public charities have no set payout requirements (although most community foundations exceed this 6 per cent provision).

5. If private foundations choose to make grants to other than tax-exempt, nonprofit organizations they must assume "expenditure responsibility," which entails a certain amount of financial auditing and reporting; community foundations have much greater flexibility since it is assumed that their expenditures will be proper because of their public nature.

6. Private foundations must file two reports with the IRS — the 990PF and the 990AR — and advertise that the reports are available for public inspection; public charities file only one report — the 990 (although community foundations must also provide *some* type of annual report to the public in order to maintain their public charity status).

Foundation to the Chicago Community Trust. (The Oakes Foundation had been experiencing some legal difficulties immediately prior to its termination. To an embattled private foundation, a community foundation can provide a safe harbor.)

More important than these transfers is the vast number of trust funds now being placed in community foundations that ten years ago *might* have become private foundations. "In a recent study we made of 17 community foundations," Gene Struckhoff said, "we wound 1,900 separate funds. These might well have been 1,900 small private foundations years ago." So while the number of private foundations that are terminating may be declining, the favored status of publicly-supported community foundations is making many wealthy individuals terminate the very idea of forming a private foundation.

If this wasn't enough good news for community foundations, the 190 community foundations in the country which are at least 5 years old and have received or have pending public charity status got some extra good news from a very unlikely source—the Internal Revenue Service.

One of the provisions of the 1969 Tax Reform Act allowed private foundations that terminated within a certain period of time and transferred their assets to a public charity that had been in existence for at least five years, to obtain a refund of any of the 4 per cent excise tax paid prior to the transfer. For many private foundations, this refund could be a sizable chunk (the Ford Foundation's 1974 excise tax was over $4 million). Unfortunately, in 1973 that time period ran out for all public charities *except* community foundations.

In 1971 the IRS proposed regulations to deal specifically with community foundations. Because these regulations expanded the ways a community foundation could achieve public charity status, it was decided that the period during which a private foundation could transfer its assets to a community foundation and receive a rebate of the 4 per cent excise tax wouldn't expire until 45 days after the final regulations were published.

Several sets of IRS regulations relating to certain nonprofit organizations have been "basking for years on Pennsylvania Avenue somewhere between Internal Revenue and the Treasury," IRS Commissioner Donald Alexander said recently. One of those sets of regulations deals with community foundations, regulations which have been basking since October 1971 and which may be about to parch.

Today, more than four years later, those final regulations still haven't been published. This prompted Murray Greason, an attorney for the Winston-Salem Foundation, to announce at the 1974 annual conference of the Council on Foundations that "a qualifying community foundation might have a slight advantage in vieing with another public charity for a proposed termination." With that understatement, it is time to discuss further the most perplexing aspect of the community foundation story.

Community Foundations & The IRS

There may be a better story illustrating the lengthy and confusing process of enacting government regulations, but until that story is uncovered the one about community foundations will serve admirably.

The proposed regulations for what the IRS calls "community trusts" (more properly called community foundations) were issued in October 1971, and although four years is an incredibly long time to elapse between proposed and final regulations, we need to go back a few years more to try to make any sense of an almost crazy situation.

Community foundations were first recognized as such by the IRS in the Internal Revenue Code of 1954, where in section 170(b)(1)(A) community foundations were given as an example of a publicly-supported organization. Yet, as we have seen, few community foundations bothered to apply for publicly-supported organization status prior to 1970.

The reason for this was that prior to the 1969 Tax Reform Act, there was little advantage to the status of publicly-supported organization over that of private foundation. In 1969, of course, all that changed and private foundation status became as welcome as a toothache.

Interestingly, there may have actually been a sign of relief among community foundation people immediately after the 1969 Tax Reform Act was enacted. The section in the new act concerning publicly-supported community foundations had been lifted almost word for word from law already in effect, and it seemed to impose no new restrictions and allow the same tests (mechanical and "facts and circumstances") for community foundations to qualify as publicly-supported organizations.

Even so, a number of things began to gnaw on community foundation executives. First, the Treasury withdrew the old mechanical and facts and circumstances tests and adopted new ones. The Treasury apparently took the position that, even if the statutory language of the Tax Reform Act that described publicly-supported organizations remained unchanged, the clearly-enhanced significance of public charity status under the TRA merited, if not required, new and more carefully drawn tests. The old mechanical test — seldom used by community foundations — was eased in some respects, but not enough. The old facts and circumstances test was, however, materially tightened, and now included the requirement

described earlier that at least 10 per cent of the foundation's support come from the "public." Moreover, the test was discretionary instead of absolute in that one of the factors to be taken into account was the extent to which "public" contributions to the organization *exceed* the 10 per cent floor. In other words, even if a community foundation receives at least 10 per cent of its support from the public, it doesn't automatically qualify for public charity status.

Not only did it become harder to qualify for public charity status, but the penalities for not qualifying were now deadly. It must be remembered, too, that achieving public charity status is not a one-time thing—community foundations must maintain this status. At any time the IRS can re-examine a community foundation, and by looking back over a four-year period determine that it is not, and more importantly, was not a publicly-supported organization. Not only is the community foundation then slapped with the status of private foundation, complete with the excise tax and all the accompanying restrictions, but donors to that community foundation would find that future gifts, once tax-deductible up to 50 per cent of their adjusted income with a five-year carry-over, would not be only deductible up to 20 per cent with no carry-over. (A change in the status of a community foundation would not affect the deductibility of a donor's previous gifts.)

Second, the question of "existence" now took on new, and sinister, configurations. If a trust form community foundation could be classified as a private foundation, some people wondered, could each of the many separate trusts that make up community trusts *also* be classified as individual private foundations? As usual, the IRS regulations were not specific on this point, and those community foundation people given to speculation didn't like the possibility.

So rather than passively wait for the other shoe to drop, a group of community foundation representatives approached the IRS, explained the unique character of community foundations, and sought special regulations defining (and broadening) publicly-supported community foundations.

The impetus for these community foundation special regulations came, therefore, not from within the government, but from without. This may well be the single most important factor in explaining some of the craziness that was to follow.

The 1969 Tax Reform Act had been generated in large part by an investigation undertaken by the late Rep. Wright Patman's Banking and Currency Committee, which uncovered a number of questionable practices of some private foundations. The committee, however, did not identify any abuses among community foundations, which explains why the 1969 act was content to simply restate the statutory language concerning community foundations.

But community foundations wanted their own regulations, despite the lack of interest by Congress. On Friday, Oct. 8, 1971, the Treasury granted their wish—and then some.

Maybe it was the fact that the 1969 Tax Reform Act had simply stretched the IRS too thin (K. Martin Worthy, then IRS Chief Counsel, called the act, "the biggest burden we have had, perhaps, in the entire history of the Internal Revenue Code"). The regulations affecting community foundations were just one of 172 sets of regulations that were being churned out as a result of the act. Maybe it was, as Frank Robinson of the Metropolitan Foundation in Atlanta suggested, that the IRS had not done its homework and did not fully understand what community foundations were

Whatever the reasons, when the proposed regulations were published they not only contained sections which could make it easier for some new community foundations to attain public charity status, they also contained sections which might have ruined many of the existing foundations, including some of the oldest and largest ones.

What astounded many community foundation people was that the new regulations, which they had hoped would confirm a "favored status" for community foundations as public charities, would, they claimed, discriminate against community foundations vis-a-vis other public charities.

These claims of discrimination are debatable. The new regulations kept the two existing tests for qualifying as a public charity—the mechanical and the facts and circumstances tests. The proposed regulations added a special test, however, called the "support test," which did away

Twenty Large Community Foundations

	Assets (Market Value) (000)	Total Grants (000)
The New York Community Trust	$137,684	$9,827
The Cleveland Foundation	136,600	8,358
The Chicago Community Trust	77,386	4,111
Committee of the Permanent Charity Fund, Inc. (Boston)	64,139	3,699
The San Francisco Foundation	44,505	3,723
The Philadelphia Foundation	30,217	1,618
The New Haven Foundation	26,255	2,002
Hartford Foundation for Public Giving	24,100	1,403
Kalamazoo Foundation	22,180	1,699
The Winston-Salem Foundation	20,970	1,760
The Pittsburgh Foundation*	20,182	1,301
The Columbus Foundation*	17,798	1,416
Dallas Community Chest Trust Fund	17,627	2,208
California Community Foundation	16,924	1,753
The Rhode Island Foundation	16,704	685
The Indianapolis Foundation	13,934	758
Kansas City Association of Trusts & Foundations	13,600	602
Grand Rapids Foundation	11,616	585
The Minneapolis Foundation	10,306	913
Saint Paul Foundation	4,214**	344

*1975 data. All others are 19/4 data. Source: Council on Foundations

***This foundation has two trusts in probate that will soon increase its assets value to approximately $45 million.*

with the arbitrary 10 per cent support a community foundation must receive from the public. Unfortunately for many community foundations, the special test also tightened the screws on a great many aspects of community foundations which had up to then been untouched:

1. Under the proposed special test, governing bodies would not only have to represent the community, members would have to be appointed for terms of office not exceeding five years and could not be "reappointed for two successive terms" (nobody, including the IRS, knew whether this meant that board members could serve five or 10 years).

2. Special test organizations would have to "carry out charitable purposes primarily within the municipality, county or metropolitan area which it serves." While this metropolitan area might extend across state boundaries, state-wide foundations are specifically forbidden (this could affect the New Hampshire, Rhode Island, California, Hawaii and Seattle community foundations).

3. Organizations seeking to qualify as a public charity under the special test would have to allow their governing body the authority to substitute another bank or trust company for any bank or trust company serving as trustee (this means single-bank trusts might not qualify under this test).

4. Special test community trusts would have to invest all funds without donor consultation and would have to distribute all adjusted net income or two thirds of minimum investment return. At least half of this money for distribution must not be restricted. Many community foundations were worried about the exact definition of "not restricted."

5. A foundation seeking to qualify under the special test would have to adopt a resolution having "continuing effect" (whatever that means) that would prohibit it from engaging in any act of "self-dealing" that is forbidden to private foundations (this would, for example, mean that any community foundation which received free office space or staff from any participating bank or trust company could not qualify under this test).

Many of these provisions were untenable to community foundation people and, suddenly, they found

Most of the provisions of the proposed regulations are excellent and something should be done to get community foundations, especially new ones, out of limbo.

themselves in the curious position of furiously working to delay and modify the very regulations they had sought.

The IRS had enough headaches as it was, and it appears that nobody in the Treasury Department wanted to handle this small, but hot, potato. "We get a new IRS guy every few months, it seems," Bruce Newman complained. There was no congressional pressure on the IRS to get the regulations made final, the community foundation people wanted them rewritten, so the IRS did what so many of us might have done — nothing.

Of course, this position of benign neglect by the IRS was not, and could not, be made public. People in the Council on Foundations and other community foundation representatives properly assumed that the final regulations might come out at any time, and in December 1971, almost monthly meetings between community foundation spokesmen and the IRS began.

In the meantime, the proposed regulations became big news in private philanthropy and every national foundation conference for the next four years included a speech, workshop or round-table discussion on what the regulations would mean.

In May 1972, Norman Sugarman told those at the Council on Foundation's 23rd annual conference that he was sure the Treasury understood "the importance of issuing practical regulations in this field by this summer."

That summer came and went and in May 1973, Sugarman found himself at the Council's 24th annual conference, this time on a panel called "Community Foundations:Current Developments in Regulations." Somewhat more cautious than he had been the year before, Sugarman didn't atempt a guess at when the regulations would be published, but, said, "I'm hopeful that when the regulations are finally issued, at least the existing community foundations will be able to operate with a minimum of disturbances."

By the time the Council's 25th annual conference rolled around in May 1974, the regulations were, of course, still pending and although Norm Sugarman was there)again) on another panel (again) his heart wasn't in it. Not only did he not make any predictions as to when the regulations would become final, he hinted darkly about "long-term effects" and "irrevocable decisions."

But somebody at the 25th annual conference *was* making predictions, and it was an IRS person at that. In an article in the Council on Foundations' Regional Reporter entitled "End in Sight in Completing the 'Regs,' " Stuart Bumpas, assistant commissioner of IRS, promised that the IRS regulations on charitable trusts would be published "very shortly." Later in the article, however, it was noted that Bumpas would "soon be leaving the IRS."

Throughout 1975 the meetings and the predictions continued. As late as November 1975, a Council on Foundations spokesman stated that the final regulations may be out in January 1976.

Now that 1976 is here and all the old predictions have been dashed, is there anyone left who would venture to guess when the community trust regulations would become final? It turned out there is such a person, and his prediction is a whopper.

The person is Dave Schmudde, and as assistant to the chief legal counsel of the IRS, he is the individual in the IRS holding day-to-day responsibility over the regulations. When interviewed in December 1975 he was asked if the final regulations would come out in January 1976. "No," said Schmudde. February? "No." Summer? "No." 1976? "Probably not." Schmudde then gave a long sigh. "Look, the congressional mood is not to impose special regulations for community foundations. There is even some doubt on the part of Congress that the legal authority exists to single out community foundations for special definition." Did he mean that other public charities, such as hospital

foundations? "Exactly."

Wasn't there anyone urging the Treasury to make these regulations final? "Not from Capitol Hill," Schmudde said. "I could probably send a report to Congress saying that there was no problem with community foundations and no new regulations were needed, and they'd probably accept it. I won't do it, but if I did, they'd probably accept it."

New York Congressman Barber Conable, who called community foundations "the wave of the future," was emphatic that at least *his* congressional mood was to get the regulations made final as soon as possible. He did admit, however, that things were slow because "the IRS and the Treasury don't want to move without Capitol concurrence."

The job of getting "Capitol concurrence" in this instance falls on the Joint Committee on Internal Revenue Taxation, but eight telephone calls—three to committee head Dr. Larry Woodworth and five to his assistant, a Mr. Chabot—were never returned, so there is no way of knowing if the committee will get concurrence in five weeks, five months, or another five years.

Much has changed since Oct. 8, 1971. For example, one of the provisions of the proposed regulations would have forced community foundations to exercise expenditure responsibility for grants to non-public charity grantee organizations in the same way as private foundations. Yet the 1975 report of the Commission on Private Philanthropy and Public Needs suggested that expenditure responsibility requirements be removed from all foundations, public and private, an indication of how thinking on this issue has changed in the past five years. For another example, the restrictive geographic limitations on community foundations set forth in the proposed regulations are counter to current thinking in favor of regional community foundations, which would give small towns and rural areas the same advantages as urban centers.

Many of the provisions of the proposed regulations are excellent and somthing should be done to get community foundations, especially the new ones, out of legal limbo. But will the regulations ever be made final? If so, what will they look like? (Dave Schmudde told this reporter that he could not reveal what changes, if any, had been made in the proposed regulations.) Will the congressional mood change?

Is it possible that community foundations can't get their regulations because they are too well behaved?

Unfortunately, Congress usually experiences a "mood swing" only after something has gotten screwed up. Is it possible that community foundations can't get their regulations because they are too well behaved?

Community Foundations and the United Way

Earlier in this article it was stated that everybody likes community foundations. That statement might lose some of its universality if a poll were taken in the national headquarters of United Way of America. Some people there are not too happy with the enormous growth of community foundations. While the causes of this unhappiness are many, much of it may stem from one effect that community foundations have had —a loss of revenue for the national United Way office.

This displeasure found at the national level of United Way may come as quite a surprise to many local United Ways across the country. Historically, United Ways and their predecessors, the Community Chests, have maintained close and friendly relationships with community foundations.

Many community foundations allow local United Ways to appoint one or more members of their distribution committee. The Oklahoma City Foundation and the Oklahoma City United Way share offices. The Buffalo and Columbus Foundations have funds set aside expressly for the United Way. The New Hampshire Charitable Fund has been instrumental in setting up United Ways in some of the towns in that state which previously had no united giving. The new San Diego Community Foundation is being set up by the local United Way.

For years, in fact, the United Way felt that the accumulation of endowment funds was not the business of united funds and should be left to community foundations.

Ralph Blanchard, former executive director of United Community Funds and Councils of America, said in 1956, "Although the possibility of acquiring endowment funds might seem attractive to Chests at first glance, there are inherent dangers which outweigh the apparent benefits." Not only would the endowment give a false impression of available money, Blanchard said, but in addition, "Publicizing sizable reserves at the disposal of the Chest can have serious consequences in a campaign; hence Chests are reluctant to give out such information."

Blanchard said that United Fund endowments would probably be used to supplement the regular budgets of member agencies "at the expense of forward-looking projects in research and experimentation."

Blanchard's philosophy is no longer shared by the national office of the United Way of America (UWA), which is now encouraging local chapters to establish their own endowment funds. There are two reasons for this shift in policy.

First, the sources of income for United Ways have changed dramatically over the past 20 years. Corporate giving, which amounted to 41 per cent of United Way dollars in 1954, dropped to 28 per cent by 1973. Individual gifts during the same period rose from 30 per cent to 61 per cent. Putting it simply, corporations don't give through wills and bequests, while individuals do. An instrument for accepting these bequests, namely an endowment fund, has therefore become attractive to the United Way because of the increased importance of gifts from individuals.

But to understand the more important reason for this change in national United Way policy, we must understand how the national office is funded. The primary source of income for the United Way of America is from membership dues,

paid by the local United Ways. The formula for these dues is one half of 1 per cent of the total money raised in a local campaign.

The implications are obvious. A woman in Dayton, for example, may choose to set up a $1 million fund for health service agencies in that city. Whether she gives the fund to the community foundation or the endowment fund of the local United Way, the city of Dayton has $1 million for health services. But if she chooses the community foundation, the national office of United Way of America is out $5,000.

In some cities, such as Rochester, the United Way is testing its muscle a bit and is aggressively competing with the local community foundation for endowment gifts. Rochester is a logical choice, because while the Rochester Foundation is young and small, the Rochester United Way currently has an endowment of over $16 million.

"When we were considering the creation of the Rochester Foundation, the United Way urged us to place our funds in its endowment," Nancy Peck, executive director of the foundation, said. "But we felt that a new community foundation outside the United Way structure would increase the number of potential donors as well as provide more flexibility in grant making."

Fund flexibility is certainly an issue with the endowment fund of the Rochester United Way. Much of the income of the endowment fund (nearly $1.4 million last year according to Peck) is pumped back into the annual fund-raising campaign, as much as is needed to allow the campaign to reach its goal. (Aside from the ethical question this practice poses, one might wonder at the legal implications of the one half of 1 per cent of the income which takes flight from Rochester to the UWA office in Virginia.)

For every Rochester, however, there is a San Diego or a New Hampshire, and most local united funds seem to be vastly less interested in competing with community foundations than the UWA might wish. The national United Way is having enough trouble maintaining control over its local chapters. To become too aggressive in pursuing a policy that will fall on deaf ears in many cities may prove of lasting damage to the national office of United Way of America.

"We felt that a new community foundation outside United Way structure would increase the number of potential donors as well as provide more flexibility in grant making."

Yet the possibility of a United Way-community foundation battle continues. If such a battle occurs, donors may tend to turn away from both sources, making potential grant recipients the ultimate losers.

How Community Foundations Receive and Distribute Funds

All community foundations offer donors a variety of ways to designate their gifts. These various designations not only broaden the options available to the donor, they have a direct bearing on the grant distributions of the foundation.

There are four basic options available:

1. Unrestricted Funds
This is the type of gift most sought by community foundations. As the name implies, unrestricted funds may be used in any way the distribution committee or board of directors chooses.

2. Designated Funds
In these funds, the donor selects a certain field, such as mental health or child care. Designated funds restrict only the purpose of the grant, not the grant recipient.

3. Restricted Funds
These funds are created exclusively for one or more named organizations, such as the Red Cross or a local medical center. If a named organization ceases to exist or is misusing the funds, the community foundation can exercise the variance power of *cy pres* and select a related organization.

4. "Donor Advised" Funds
Donors of these funds, while irreocably giving over the money to the community trust, maintain an "advisory" position with the fund. The donor may advise the foundation about the investment of the fund or about possible recipients of grants made from the fund. The legal line between "donor advice" and "donor control" is a fine one, and for this reason many foundations do not actively seek such funds.

Besides these four, a donor may establish a named fund and designate whether income only, or principal and income, may be distributed.

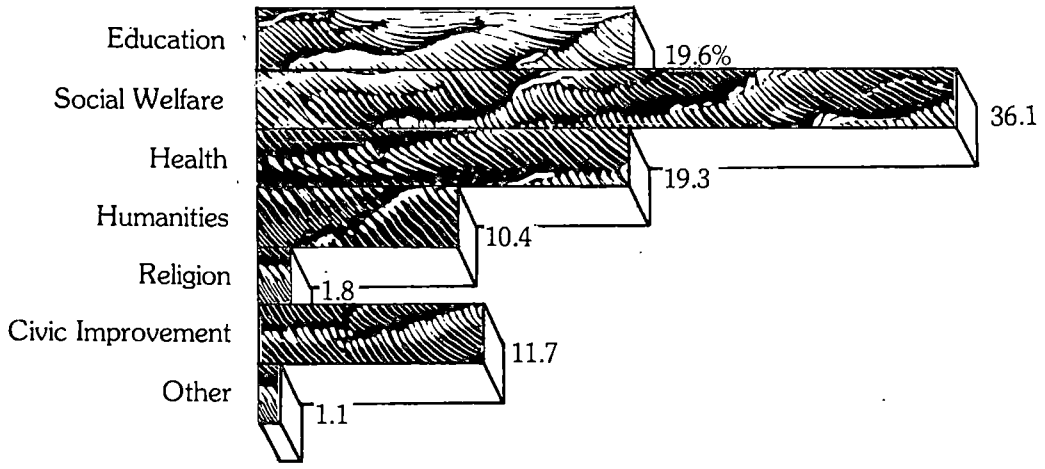
Many of the smaller community foundations actively seek restricted funds to more quickly increase their total assets (most community foundations charge a certain administrative fee against all funds, whether restricted or not), but this has its disadvantages.

"We try to avoid as much as possible the restricted fund," commented Martin Paley of the San Francisco Foundation. "Some community foundations have so many trusts restricted to individual organizations that the foundation becomes little more than a check-writing service."

A dramatic example of the confining nature of restricted gifts is the Hawaiian Foundation. Although the foundation made grants of $110,941 in 1974, only $15,000 of this was unrestricted. This entire $15,000 went to one organization.

Restricted gifts are also the reason for the unusual grant pattern of some community foundations that has sometimes confused grant seekers. A potential grantee in Denver may read that an east coast community foundation has made a grant in Boulder. Filled with hope, he submits

Community Foundation Distributions by Field, 1972



Source: Council on Foundations

a proposal and is turned down with the statement that the foundation does not make grants in Colorado. "The hell you say," the Denver applicant mumbles as he goes off to contemplate finer things.

The grant to the organization in Boulder, of course, came from a restricted fund, probably so restricted that even another organization in Boulder would not qualify. While it is possible that a grant seeker may tap a restricted fund of a community foundation located halfway across the country, the ratio of time expended to money received would not fall within good management practices. By and large, as mentioned earlier, community foundations make grants only within their own community.

Although most community foundations have staff that will be able to read and respond to your request for funds, few, if any, have formal application forms. Most community foundations would echo the advice given by Martin Paley: "Put something in writing, nothing elaborate. Then we'll meet." A few community foundations, the Chicago Community Trust, for example, will even help you write the proposal if they think the idea is good enough (although you shouldn't make a habit of this).

It is impossible to characterize community foundations in general as to the size of grant usually made or the type of grant recipient most often favored. The average grant of the San Francisco Foundation is about $30,000 while the Columbus Foundation has seldom made a grant larger than $15,000 in its history.

Community foundations obviously give little or nothing to international programs and seldom give to national organizations. They tend to lean more heavily towards social service agencies than private foundations according to Giving USA, but aside from that the giving pattern of a community foundation may be quite similar to that of a medium-sized local private foundation.

Community foundations *may* be classified, as Gene Struckhoff suggests, into two categories: "supportive-reactive" and "change-oriented."

"The supportive-reactive foundation may be more inclined to make grants for a new roof or a new van, something simple and safe," Gene Struckhoff said. "They are reactive in the sense that they respond only to the proposals and requests presented to them; they don't move out and seek to determine community needs.

"Some foundations are more active and change-oriented," Struckhoff continues. "These may also provide training and consultation, budget and management assistance —a spectrum of services designed to assist grantee organizations in becoming more efficient and more effective. If they are very active grant programmers, the staff members may encourage existing organizations to expand and modify delivery to meet some community needs not now being served. Or they may go out and help start a new organization.

"The size and duration of gifts may give a clue as to whether the community foundation is change-oriented or reactive. Small, short duration grants may indicate a supportive-reactive foundation. Those foundations dedicated to change know that some grants will have to be made over a longer period of time than others. New organizations may take a year to get on their feet — or they may take five years or more."

Community foundations, unlike many private foundations, seldom have specific interests they absolutely

Checklist

for approaching a community foundation

1. Make a personal contact, preferably with the chief staff officers, to sound out the foundation on its assessment of city needs, its current emphases, its readiness to respond to a proposal.

2. Develop a document that outlines your case in clear, direct and uncomplicated fashion:
   - What is needed, and why;
   - How this project fits into the overall plan for attacking this problem area;
   - Who's going to do the work;
   - What happens after the foundation's funds are used; and
   - What kind of evaluation is built into the effort.

3. Put yourself in the foundation executive's shoes and ask:
   - Is this work really important in the town's scheme of things?
   - Can the people asking for the money really do the job?
   - What is there about this project that makes it unique, that makes it stand out and sparkle?
   - Can we reasonably expect that this project will make other things happen, good things, appropriate things?
   - Does this project fit into the foundation's operating philosophy?

4. Keep in touch with foundation representatives, but don't bludgeon them with unwanted inquiries. Help the foundation people meet others in the community who can evaluate your project, and help community leaders furnish appropriate and timely information to foundation specialists. Be the catalyst that triggers the grant-making process. *(From an article by John May which appeared in the August 1973 issue of Nation's Cities.)*

John May, former director of the San Francisco Foundation.

will or will not fund. If the foundation is actually attempting to meet the needs of the community, inflexibility is almost impossible unless the community the foundation serves is frozen both in time and space. As the needs of the community change, so should the grant distribution pattern of a community foundation.

The impetus for change may well come from the grant recipients themselves. It should be remembered that while a community foundation governing body may represent a community, it does not follow that the same body will know everything about the community. "We don't need to be experts in every field," Bruce Newman said. A grantee would be wise, therefore, to document as thoroughly as possible the needs and problems of the community in any request for funds.

Although it is by no means universally true, some community foundations are much more willing to take on risky projects than private foundations. Unfettered by the payout provisions and expenditure responsibility restrictions placed on private foundations, some community foundations are willing to take chances. Martin Paley said, "If we don't finance some projects that fail, then we are acting too conservatively."

The chart on page 17 shows where the larger community foundations make their grants.

What should you include in a grant request to a community foundation? "We like to see a list of board members," Newman said, "This will help us see how well connected and represented an organization is."

Some community foundations request that grant seekers meet with other agencies dealing with similar problems or populations. These meetings are a regular happening at the San Francisco Foundation, where similar organizations may be asked to join together to meet the needs of a specific community or group.

Researching community foundations is somewhat different than researching private foundations. All the community foundations with assets of $1 million or more are listed in the Foundation Directory, but for

smaller community foundations you will have to depend primarily on local knowledge for your research. You won't find community foundations among the 990-AR and 990-PF cards in the Foundation Center's regional collection libraries because community foundations are not required to file these forms (for this reason, many state foundation directories fail to list community foundations). The list of community foundations accompanying this article should help you get started. Your local telephone book will help, too.

One place to go for more information is the trust department of the largest bank in your city. Chances are very good that if your city has a community foundation, someone in that bank's trust department will have something to do with it, or at least know someone who does.

When researching community foundations, one should look for basically the same type of information that one would look for when researching private foundations. One needs to determine the general types of organizations a particular foundation supports (usually a broader range of organizations than most local private foundations support), the average size of grants made by the foundation and the type of activity normally supported (construction, special projects, etc.).

If you are not sure about the guidelines for grants or how to write a proposal to a community foundation, go visit it.

If you are not sure about the guidelines for grants or how to write a proposal to a community foundation, go visit it. As a public charity, community foundations enjoy their favored status by serving the community. As a part of that community, you have a right to be served (though, we hasten to add, not necessarily funded).

The Time Has Come

Community foundations may be the wave of the future. The time has come for community foundations, not as a logical extension of private foundations, as some suggest, but as a logical extension of United Ways. The programmatic flexibility, the ability to maintain designated and restricted endowments, the freedom to make grants based on need rather than membership — all these things give community foundations great opportunity to expand the local philanthropic effort.

Community foundations should not replace United Ways — this would effectively disenfranchise most small individual donors. Nor should United Ways attempt to duplicate community foundations — this would negate the historical United Way appeal of raising today's dollars to solve today's problems. A United Way with a $50 million endowment doesn't look hungry enough to a $25 donor. A community, if it is large enough, should have both a community foundation and a united appeal, and they should be separate.

If you are lucky enough to have a community foundation in your area, you should become familiar with it as soon as possible.

If you do not have a community foundation in your area, you may wish to do one of three things.

1. Contact the Council on Foundations (888 Seventh Ave., New York, N.Y. 10019) to see if anyone else in your community is planning such a foundation (the Council on Foundations was originally created as the National Council on Community Foundations and remains extremely active in this area).

2. Put $20 in trust and start your own. (An article by John May in the August 1973 issue of Nation's Cities magazine offers some very good advice, and warnings, about starting a community foundation.)

3. Stop reading this article.

Community Foundations: A Short Bibliography

Community Foundations in the United States and Canada 1914-1961 published by the Council on Foundations, Inc., 888 Seventh Avenue, New York, N.Y. 10019.

Community Foundations in the United States and Canada 1970 Status, published by the Council on Foundations, Inc.

"Indirect Self-Dealing and Foundation's Transfers for the Use or Benefit of Disqualified Persons," by Alvin J. Geske, **Houston Law Review,** Vol. 12, No. 2, January 1975.

Giving USA, editions 1972, 1973, 1974, 1975, published by the Amerian Association of Fund Raising Counsel, Inc., 500 Fifth Avenue, New York, N.Y. 10036.

"Community Foundations," by Norman A. Sugarman, paper presented to the Commission on Private Philanthropy and Public Needs (Filer Commission).

"The Federal Budget: A Test for Community Foundations," by Richard J. Margolis, **Foundation News,** Vol. 14, No. 5, Sept./Oct. 1973.

"Eight Million People and the New York Community Trust," by Lauren Katzowitz, **Foundation News,** Vol. 14, No. 6, Nov. Dec. 1973.

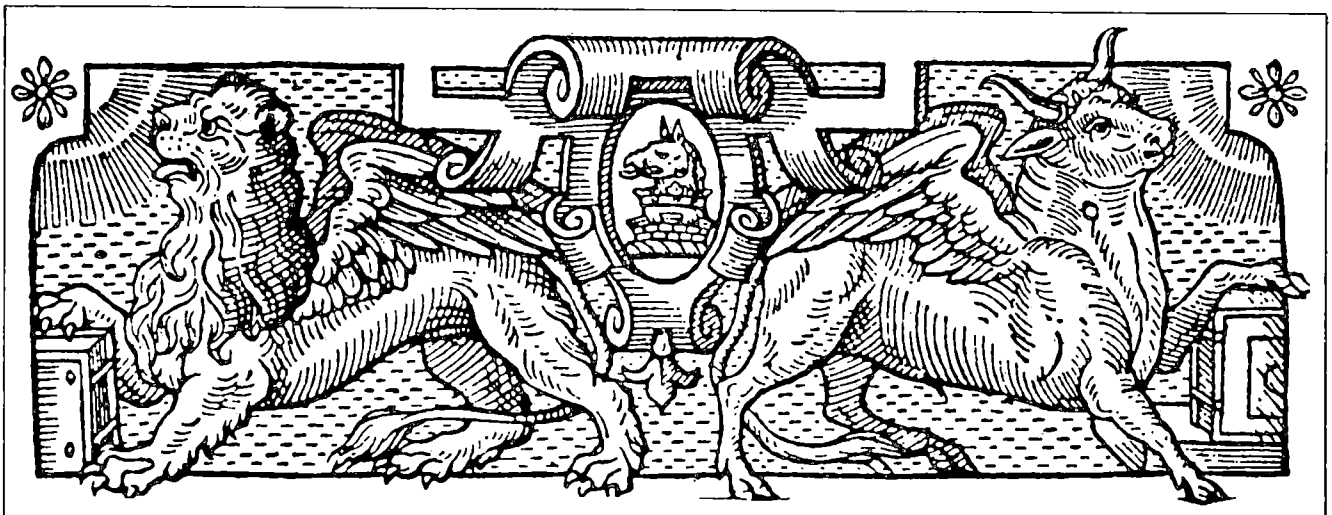
"Plugging the Leadership Gap Via the Community Foundations," by William D. Falcon, **Foundation News,** Vol. 15, No. 6, Nov./Dec. 1974.

"The Story of the New York Community Trust — The First 50 Years," published by the New York Community Trust, Community Funds, Inc., 415 Madison Avenue, New York, N.Y. 10017.

"The Orange Tree and the Inch Worm," published by the New Hampshire Charitable Fund, 1 South Street, Concord, New Hampshire 03301.

"Teamwork with United Way for Community Benefit," **Interchange,** published by the Council on Foundations.

"The Role of the United Way in Philanthropy," by David Horton Smith, paper presented to the Comission on Private Philanthropy and Public Needs (Filer Commission).



California:
A Profile of Two Foundations That Are As Different As North & South

Richard Armour wrote "It may be a thing of joy, it may be a thing of sorrow. What California is today, the world will be tomorrow." For grant seekers, the joy may be determined by whether you look north or south.

In the north, the San Francisco Foundation has received national recognition for its leadership in making programmatic grants for high-risk projects, grass-roots organizations and often controversial programs.

In the south is the California Community Foundation.

To be absolutely accurate, the California Community Foundation, while physically located in Los Angeles, is a state-wide community foundation, with 70 per cent of its grants made in Southern California and the rest spread across the state.

Perhaps neither the San Francisco Foundation nor the California Community Foundation could be called "typical," but a comparison of these two large foundations gives an indication of the wide diversity of community foundation administration:

✻ The San Francisco Foundation is a multiple bank trust. There are presently 12 participating trust banks in the San Francisco Foundation. The California Community Foundation is a single bank trust, created and guided by Security Pacific Bank. While this form once enjoyed some popularity, only a handful of community foundations remain single bank trusts — and most of these are found in small communities where there may be only one trust bank. Los Angeles has more than a dozen.

✻ Members of the San Francisco Foundation's Distribution Committee are appointed by the Bay Area United Way; the chief judge of the 9th Judicial Circuit, U.S. Court of Appeals; the San Francisco League of Women Voters; the San Francisco Chamber of Commerce; the presidents of Stanford University and the University of California; and the trustee banks (the banks appoint two members; all the others appoint one member each). The five members of the California Community Foundation Advisory Committee are self-appointed on a five-year rotation (each year four members appoint a new member). The original board members were appointed by Security Pacific Bank.

✻ The San Francisco Foundation primarily makes programmatic grants, with a few equipment and capital grants usually made from restricted funds. The California Community Foundation makes capital and equipment grants, with only one programmatic grant in the past two years.

✻ The entire staff, office and administrative costs of the California Community Foundation are paid by Security Pacific Bank. The San Francisco Foundation's expenses are met principally by a charge of not more then 5 per cent against the income of the long-term trusts making up the foundation.

✻ Both the San Francisco Foundation and California Community Foundation require proof of the nonprofit status of grant seekers. The California Community Foundation further requires that the organization be in existence for at least two years.

✻ The California Community Foundation will not make grants to any organization for more than two years in a row. The San Francisco Foundation has no restrictions concerning duration of grant nor number of grants to any organization.

Of course, while these two foundations are in many ways as different as day and night, there is no rule that all must act the same. The criterion for judging a foundation's behavior will always be community support.

As an indication of community support of the two California foundations, it is interesting to note that while the San Francisco Foundation has received the assets of dozens of terminating private foundations, including the $17 million Oakes Foundation, not a single private foundation has terminated in favor of the California Community Foundation. Further, the San Francisco Foundation has grown from $6.7 million in 1965 to $20 million in 1970 to $44 million in 1975. The California Community Foundation had approximately $20 million in assets in 1965, $20 million in 1970 and $20 million in 1975.

Community Foundations in the United States and Canada

Source: Council on Foundations

Alabama

The Greater Birmingham Foundation, P.O. Box 9096, Birmingham, AL 35213

California

The San Mateo Foundation, 1204 Burlingame Avenue, Room 10, Burlingame, CA 94010
Community Trust of Santa Clara County, 393 E. Hamilton Avenue, Suite B, Campbell, CA 95008
The Corcoran Community Foundation, P.O. Box 457, Corcoran, CA 93212
The Humboldt Area Foundation, P.O. Box 632, Eureka, CA 95501
Fresno Regional Foundation, 1171 Fulton Mall, Room 1221, Fresno, CA 93721
Glendale Community Foundation, 420 North Brand Boulevard, Suite 614, Glendale, CA 91203
California Community Foundation, 333 South Hope Street, P.O. Box 54303, Terminal Annex, Los Angeles, CA 90054
Monterey Foundation, 550 Calle Principal, P.O. Box 1384, Monterey, CA 93940
Novato Civic Foundation, P.O. Box 319, Novato, CA 94947
The East Bay Community Foundation, P.O. Box 688, Oakland, CA 94604
Pasadena Foundation, 16 North Marengo Avenue, Suite 219, Pasadena, CA 91101
Riverside Foundation, 4333 Orange Street, Suite 20, Riverside, CA 92501
San Diego Community Foundation, P.O. Box 2671, San Diego, CA 92112
The San Francisco Foundation, 425 California Street, San Francisco, CA 94104
Santa Barbara Foundation, 11 East Carrillo Street, Santa Barbara, CA 93101
Santa Rosa Foundation, c/o Wells Fargo Bank, P.O. Box 850, Santa Rosa, CA 95402

Canada

Calgary & District Foundation, 1210-205 Fifth Avenue, S.W., Box 9114, Calgary, Alberta, Canada T2P 2W4
Community Foundation of Ottawa & District, c/o Mr. John J. Harrington, United Appeal of Ottawa-Carleton, 85 Plymouth Street, Ottawa, Ontario, Canada K1S 3E2
The Regina Community Foundation, 1820 Albert Street, Suite 401, Regina, Saskatchewan, Canada S4P 2S8
Vancouver Foundation, 1177 West Hastings Street, Suite 2211-A, Vancouver, B.C., Canada V6E 2K3
The Victoria Foundation, 877 Island Road, Victoria, B.C., Canada V8S 2V1
The Winnipeg Foundation, 800 Mercantile Bank Building, 305 Broadway, Winnipeg, Manitoba, Canada R3C 0R9

Colorado

Colorado Springs Community Trust Fund, P.O. Box 2168, Colorado Springs, CO 80901
The Denver Foundation, 209 Sixteenth Street, Suite 428, Denver, CO 80202
The Greater Englewood Foundation, Inc., 3200 South Franklin, Englewood, CO 80110
Mesa County Foundation, Inc., c/o Helman, Younge & Hockensmith & Zollner, P.O. Box 688, Grand Junction, CO 81501

Connecticut

The Bridgeport Area Foundation, Inc., 955 Main Stree, Room 508, Bridgeport, CT 06603
The Greenwich Foundation for Community Gifts, One Lafayette Place, Greenwich,

The Meriden Foundation, 14 West Main Street, P.O. Box 951, Meriden, CT 06450
New Britain Foundation for Public Giving, P.O. Box 102, New Britain, CT 06050
The New Haven Foundation, 1 State Street, New Haven, CT 06510
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The Torrington Area Foundation for Public Giving, c/o Hartford National Bank & Trust Co., Trust Department, 336 Prospect Street, Torrington, CT 06790
The Waterbury Foundation, c/o The Colonial Bank & Trust Company, Trust Department, P.O. Box 252, Waterbury, CT 06702
The Hartford Foundation for Public Giving, 45 South Main Street, West Hartford, CT 06107
The Greater Norwalk Community Foundation, Inc., 10 Westport Road, Wilton, CT 06897

Delaware

The Delaware Foundation, c/o The Bank of Delaware, 300 Delaware Avenue, Wilmington, DE 19899

District of Columbia

The Community Foundation of Greater Washington, Inc., 4508 Hoban Road, N.W., Washington, DC 20007

Florida

Pinellas County Community Foundation, 1253 Park Street, Clearwater, FL 33516
Dade Foundation, 955 S.W. 2nd Avenue, P.O. Box 02700, Miami, FL 33101
Palm Beach County Community Foundation, 411 South County Road, Palm Beach, FL 33480
The Community Foundation of Sarasota, c/o Southeast Banks Trust Company, N.A., P.O. Box 267, Sarasota, FL 33578
Winter Park Community Trust Fund, c/o First National Bank at Winter Park, P.O. Box 1000, Winter Park, FL 32789

Georgia

Savannah Foundation, Inc., 428 Bull Street, P.O. Box 9119, Savannah, GA 31402
Metropolitan Foundation of Atlanta, 1331 Healey Building, P.O. Box 1357, Atlanta, GA 30301
Metropolitan Augusta Foundation, P.O. Box 36, Augusta, GA 30903

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The Hawaiian Foundation, c/o Hawaiian Trust Company Ltd., P.O. Box 3170, Honolulu, HI 96802

The Alton Foundation, 620 East Broadway, Alton, IL 62002
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The Rock Island Community Foundation, 213-20th Street, Rock Island, IL 61201
Sterling-Rock Falls Community Trust, c/o The Central National Bank of Sterling, 302 First Avenue, Sterling, IL 61081

Indiana

The Portland Foundation, 1329 South Meridian Street, P.O. Box 1094, Portland, IN 47371
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The Brookville Foundation, 511 Main Street, P.O. Box 192, Brookville, IN 46714
Fort Wayne Foundation, Inc., 215 W. Washington Boulevard, Fort Wayne, IN 46802
The Greencastle Foundation, c/o First Citizens Bank & Trust Company, Greencastle, IN 46135
The Indianapolis Foundation, 615 N. Alabama Street, Room 119, Indianapolis, IN 46204
The North Manchester Community Foundation, Inc., 211 Grandview Court, North Manchester, IN 46962
Kosciusko County Foundation, 1610 East Center Street, Box 777, Warsaw, IN 46580

Iowa

Davenport Area Foundation, 409 Putnam Building, Davenport, IA 52801
The Community Welfare Foundation of Cedar Rapids, Iowa, 500 Merchants National Bank Building, P.O. Box 2107, Cedar Rapids, IA 52406
Waterloo Civic Foundation, 471 Sunrise Boulevard, Waterloo, IA 50701
Waverly Community Foundation, 901 Main Street, McPherson, KS 67460

Kansas

The McPherson Community Foundation, 901 Main Street, McPherson, KS 67460
Salina-Charities Foundation, Inc., c/o First National Bank & Trust Company, 101 North Santa Fe, Salina, KS 67401

Kentucky

Blue Grass Foundation, Inc., 2020 Nicholasville Road, Lexington, KY 40503
Lexington-Fayette County Foundation, Inc., Citizens Bank Square, Suite 4-A, Lexington, KY 40507
The Owensboro-Daviess County Community Foundation, 1619 Frederica Street, Owensboro, KY 42301

Louisiana

Baton Rouge Area Foundation, P.O. Box 66375, Baton Rouge, LA 70806
Shreveport-Bossier Foundation, P.O. Box 1106, Shreveport, LA 71156

Maine

The North Haven Foundation, 10 School Street, P.O. Box 425, North Haven, ME 04853
Maine Charity Foundation, c/o Maine National Bank, P.O. Box 3555, Portland, ME 04104

Maryland

The Community Foundation of Greater Baltimore Area, Inc., One Charles Center, Suite 1110, Baltimore, MD 21201

Massachusetts

Attleboro Foundation, c/o Attleboro Trust Company, P.O. Box 330, Attleboro, MA 02730

Committee of the Permanent Charity Fund, Inc., One Boston Place, Room 3005, Boston, MA 02106
Cornerstone Charitable Foundation, c/o New England Merchants National Bank, 28 State Street, P.O. Box 2197, Boston, MA 02107
Old Colony Charitable Foundation, c/o The First National Bank of Boston, 100 Federal Street, Boston, MA 02110
Committee of the Brockton Charitable Fund, Inc., c/o First County National Bank, 90 Main Street, Brockton, MA 02403
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Greater Fall River Foundation, Inc., 687 High Street, Fall River, MA 02722
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The Adrian Foundation, 2711 E. Maumee Street, Adrian, MI 49221
Allegan Foundation, P.O. Box 15, Allegan, MI 49010
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Greater Battle Creek Foundation, 512 Michigan National Bank Building, Battle Creek, MI 49014
Berrien Community Foundation, Inc., P.O. Box 68, Benton Harbor, MI 49022
The Colon Foundation, 108 W. State Street, Colon, MI 49040
Detroit Community Trust, c/o Detroit Bank & Trust Company, 211 West Fort Street, Detroit, MI 48231
Oakland County Community Trust, c/o Detroit Bank & Trust Company, 211 West Fort Street, Detroit, MI 48226
The Flint Public Trust, 1010 Genesee Bank Bldg., Flint, MI 48502
The Fremont Area Foundation, 204 West Main Street, Fremont, MI 49412
Grand Haven Area Community Foundation, Inc., Security First Bank Building, Suite 202, Grand Haven, MI 49417
Grand Rapids Foundation, 300-C Waters Bldg., Grand Rapids, MI 49502
The Greater Holland Community Foundation, Inc., 196 River Avenue, Holland, MI 49423
The Jackson Foundation, 505 Wildwood Avenue, Jackson, MI 49201
Kalamazoo Foundation, 332 1SB Building, 151 South Rose Street, Kalamazoo, MI 49006
The Greater Lansing Foundation, c/o American Bank & Trust Company, Trust Department, P.O. Box 300, Lansing, MI 48902
Midland Community Foundation, P.O. Box 289, Midland, MI 48640
Muskegon County Community Foundation, 313 W. Webster Avenue, Room 100, Muskegon, MI 49440
Leelanau Township Foundation, Inc., Northport, MI 49670
The Pontiac Foundation, 33 West Huron Street, Pontiac, MI 48058
Port Huron District Foundation, Inc., P.O. Box 285, Port Huron, MI 48060
Traverse Area Foundation, Inc., 407 National Bank Building, Traverse City, MI 49684
Vicksburg Foundation, 336 West Washington Street, Vicksburg, MI 49097

Minnesota

Duluth Community Trust, c/o Northern City National Bank, 306 West Superior Street, Duluth, MN 55801
The Minneapolis Foundation, 400 Foshay Tower, 821 Marquette Avenue, Minneapolis, MN 55402
The Rochester Foundation, 247 First National Bank Building, 201 South First Avenue, Rochester, MN 55901
Saint Paul Foundation, 355 Washington Street, Room 305, St. Paul, MN 55102

Missouri

St. Louis Community Trust, 7733 Forsyth Boulevard, Suite 1854, St. Louis, MO 63105

Nebraska

Merrick Foundation, Inc., 1615-17th Avenue, Central City, NE 68826
The Lincoln Foundation, Inc., 215 Centennial Mall South, Lincoln, NE 68508

New Hampshire

New Hampshire Charitable Fund, 1 South Street, Concord, NH 03301
The Randolph Foundation, Randolph, NH 03571

New Jersey

South Jersey Foundation, c/o Burlington County Trust Company, Trust Department, 91 East Main Street, Morrestown, NJ 08057
The Plainfield Foundation, 202 Park Avenue, Plainfield, NJ 07060
Trenton Communtiy Foundation, 19 Chancery Lane, Trenton, NJ 08618

New York

Mohawk-Hudson Community Foundation, Inc., 877 Madison Avenue, Albany, NY 12208
The Buffalo Foundation, 812 Genesee Bldg., Buffalo, NY 14202
Corning Community Foundation, Inc., c/o Lincoln First Bank of Rochester, 2 East Market Street, Corning, NY 14830
Greater Endicott Area Foundation, 512 Overlook Terrace, Endicott, NY 13760
Glens Falls Foundation, c/o First National Bank of Glens Falls, 239 Glen Street, P.O. Box 311, Glens Falls, NY 12801
The Tompkins County Foundation, Inc., 415 Hanshaw Road, Ithaca, NY 14850
Lyndonville Area Foundation, Inc., South Main Street, P.O. Box 1, Lyndonville, NY 14098
New York Community Trust & Community Funds, Inc., 415 Madison Avenue, New York, NY 10017
Poughkeepsie Area Fund, Inc., 35 Market Street, Poughkeepsie, NY 12601
Rochester Area Foundation, 315 Alexander Street, Room 205, Rochester, NY 14604
Scarsdale Foundation, 4 Richbell Road, Scarsdale, NY 10583
The Schenectady Foundation, P.O. Box 1020, Schenectady, NY 12301
Central New York Community Foundation, 423 West Onondaga Street, Syracuse, NY 13202
The Community Foundation of Unadilla, New York, Inc., 98 Main Street, Unadilla, NY 13849
Utica Foundation, Inc., 233 Genesee Street, Utica, NY 13501
The Watertown Foundation, Inc., 600 Woolworth Building, Watertown, NY 13601

North Carolina

Greater Charlotte Foundation, Inc., 301 South Brevard Street, Charlotte, NC 28202
Durham Foundation, Inc., c/o Centralia Carolina Bank & Trust Company, Trust Department, P.O. Box 931, Durham, NC 27702
Elizabeth City Foundation, P.O. Box 14, Elizabeth City, NC 27909
Hickory Community Foundation, Inc., P.O. Box 350, Hickory, NC 28601
Landis Community Foundation, Inc., 213 East Garden Street, Landis, NC 28088
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Thomasville Community Foundation, Inc., c/o Wachovia Bank & Trust Company, 10 Salem Street, Thomasville, NC 27360
The Polk County Community Foundation, Inc., 165 Wilderness Road, P.O. Box 1123, Tryon, NC 28782
The Winston-Salem Foundation, 2230 Wachovia Building, Winston-Salem, NC 27101

Ohio

Akron Community Trusts, 1 Cascade Plaza, Akron, OH 44308
The Ashtabula Foundation, Inc., P.O. Box 695, Ashtabula, OH 44004
Bryan Area Foundation, P.O. Box 651, Bryan, OH 43506
Canton Welfare Federation Community Memorial Trust, c/o Canton Welfare Federation, 618 Second Street, N.W., Canton, OH 44703
The Stark County Foundation, 618 Second Street, N.W., Canton, OH 44703
Mercer County Civic Foundation, P.O. Box 145, Celina, OH 45822
The Greater Cincinnati Foundation, 812 Gas & Electric Bldg., Fourth & Main Streets, Cincinnati, OH 45202
The Cleveland Foundation, 700 National City Bank Building, Cleveland, OH 44114
The Columbus Foundation, 17 South High Street, Suite 707, Columbus, OH 43215
OH 44902
The Dayton Foundation, 110 East Second Street, Dayton, OH 45402
Galion Community Foundation, 312 E. Payne Avenue, Galion, OH 44833
Hamilton Community Foundation, Inc., 323 North Third Street, Hamilton, OH 45011
St. Clair Foundation, Lewisburg, OH 45338
The Lorain Foundation, c/o Lorain National Bank, 457 Broadway, Lorain, OH 44052
Richland County Foundation of Mansfield, Ohio, 38 South Park Street, Room 106, Mansfield, OH 44902
The Marietta Community Foundation, c/o the People's Banking & Trust Company, P.O. Box 666, Marietta, OH 45750
The Mount Vernon Community Trust, 109 Catherine Street, Mount Vernon, OH 43050
Licking County Foundation for Public Giving, 36 North Second Street, Newark, OH 43055
Lake County Foundation, 50 Liberty Street, Ext., Painesville, OH 44077
Scioto County Area Foundation, 48 National Bank Building, Portsmouth, OH 45662
Salem Community Foundation, Inc., P.O. Box 483, Salem, OH 44460
The Sidney Community Foundation, c/o Garmhausen, Kerrigan & Elsass, Ohio Bldg., Sidney, OH 45365
The Springfield Foundation, 35 South Spring Street, Lagonda Club Bldg.,, Springfield, OH 45502
The Toledo Community Foundation, Community Services Bldg., #1 Stranahan Square, Room 141, Toledo, OH 43604
The Tipp City Foundation, c/o The First National Bank & Turst Company, 910 W. Main Street, Troy, OH 45373
The Troy Foundation, c/o The First National Bank & Turst Co., 910 West Main Street, Troy, OH 45373
The Van Wert County Foundation, 101½ East Main Street, Van Wert, OH 45891
Youngstown Foundation, P.O. Box 450, Youngstown, OH 44501
The Fayette County Charitable Foundation, 604 S. Fayette Street, Washington Court House, OH 43106

Oklahoma

Muskogee County Community Action Foundation, Inc., P.O. Box 1483, Muskogee, OK 74401
Oklahoma City Community Foundation, Inc., 1300 North Broadway, Oklahoma City, OK 73103
The Tulsa Foundation, c/o First National Bank & Trust Company of Tulsa, P.O. Box 1, Tulsa, OK 74102

Oregon

The Benton County Foundation, P.O. Box 911, Corvallis, OR 97330
The Pendleton Foundation Trust, P.O. Box 218, Pendleton, OR 97801
The Oregon Community Foundation, 319 Yeon Bldg., Portland, OR 97204
Salem Foundation, c/o Pioneer Trust Company, 109 Commercial Street, N.E., Salem, OR 97301

Pennsylvania

Ashland Trusts, 702 Centre Street, Ashland, PA 17921
Emporium Foundation, Inc., P.O. Box 31, Emporium, PA 15834
The Erie Community Foundation, P.O. Box 1818, Erie. PA 16507
The Greensburg Foundation, 18 East Pittsburgh Street, Greensburg, PA 15601
The Grove City Foundation, 209 West Pine Street, Grove City, PA 16127
The Harrisburg Foundation, P.O. Box 1010, Harrisburg, PA 17108
Central Montgomery County Foundation, 114 East DeKalb Pike, P.O. Box 534, King of Prussia, PA 19406
The Lancaster County Foundation, 30 West Orange Street, Lancaster, PA 17604
The Philadelphia Foundation, Two Girard Plaza, Suite 1502, Philadelphia, PA 19102
The Pittsburgh Foundation, 301 Fifth Avenue, Suite 1417, Pittsburgh, PA 15222
The Warren Foundation, P.O. Box 69, Warren, PA 16365
The Williamsport Foundation, c/o Northern Central Bank & Trust Company, 102 West Fourth Street, P.O. Box 810, Williamsport, PA 17701
York Foundation, 140 East Market Street, P.O. Box 2026, York, PA 17401
The Altoona Foundation, 1206 11th Avenue, Altoona, PA 16603
Bethlehem Area Foundation, 508 Main Street, Bethlehem, PA 18018
The Scranton Area Foundation, P.O. Box 937,

Scranton, PA 18501

Rhode Island

The Rhode Island Foundation, 15 Westminster Street, Providence, RI 02903

South Carolina

Anderson Community Foundation, Inc., 107 North Main Street, P.O. Box 649, Anderson, SC 29621
The Greenville County Foundation, P.O. Box 2145, Greenville, SC 29602
The Spartanburg County Foundation, 424 Montgomery Bldg., Spartanburg, SC 29301

Tennessee

Community Foundation of Greater Chattanooga, Inc., 1033 Volunteer Bldg., Chattanooga, TN 37402
Community Improvement Foundation of East Tennessee, 1212 Pierce Parkway, Suite 101-A, Knoxville, TN 37921
Memphis-Plough Community Foundation, First National Bank Building, Suite 1521, Memphis, TN 38103

Texas

Amarillo Area Foundation, Inc., 1001 Fisk Bldg., Amarillo, TX 79101
Navarro Community Foundation, 531 First National Bank Building, P.O. Box 1035, Corsicana, TX 75110
Dallas Community Chest Trust Fund, Fred M. Lange Center, 4605 Live Oak Street, Dallas, TX 75204
Dallas Foundation, 3300 Republic Bank Tower, Dallas, TX 75201
Gray-Pampa Foundation, Inc., 120 West Kingsmill Street, Pampa, TX 79065
San Antonio Area Foundtion, 201 North St. Mary's Street, San Antonio, TX 78205
Waco Perpetual Growth Foundation, 1801 Austin Avenue, Waco, TX 76701
Waxahachie Foundation, Inc., 200 Overhill Drive, Waxahachie, TX 75165

Vermont

Vermont Charitable Foundation, RFD Box 57, Waitsfield, VT 05673

Virginia

Norfolk Foundation, 406 Royster Bldg., Norfolk, VA 23510
The Portsmouth Community Trust, 2115 High Street, P.O. Box 668, Portsmouth, VA 23705
The Greater Richmond Community Foundation, 809-B Mutual Bldg., 9th and Main Streets, Richmond, VA 23219
The Richmond Foundation, c/o The Virginia Trust Company, 821 East Main Street, Richmond, VA 23214

Washington

Foundation for Enumclaw Community, Inc., 24524 S.E. 448th, Enumclaw, WA 98022
The Seattle Foundation, 1425 4th Avenue, Joshua Green Bldg., Room 520, Seattle WA 98101
Greater Spokane Community Foundation, 1006 Old National Bank Bldg., Spokane, WA 99201
Stanwood-Camano Area Foundation, 642 Broadway, P.O. Box 558, Stanwood, WA 98292

West Virginia

The Greater Kanawha Valley Foundation, P.O. Box 3041, Charleston, WV 25331
Parkersburg Community Foundation, 16 Citizens Bank Building, P.O. Box 1762, Parkersburg, WV 26101

Wisconsin

The Ashland Foundation, 100 Second Street, West, Ashland, WI 54806
Beloit Foundation, Inc., 423 Bluff Street, Beloit, WI 53511
Cambridge Foundation, Main Street, Cambridge, WI 53523
Kenosha Foundation, c/o The First National Bank of Kenosha, P.O. Box 280, Kenosha, WI 53141
La Crosse Foundation, c/o La Crosse Trust Company, 311 Main Street, La Crosse, WI 54601
Madison Community Trust Fund, c/o First National Bank of Madison, 1 South Pinckney Street, Box 1271, Madison, WI 53701
Fort Atkinson Community Foundation, c/o Godfrey & Kahn, 780 North Water Street, Milwaukee, WI 53202
The Milwaukee Foundation, 161 West Wisconsin Avenue, Suite 5146, Milwaukee, WI 53203
Oshkosh Foundation, c/o First Wisconsin National Bank of Oshkosh, 111 North Main Street, Oshkosh, WI 54901

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Exploring the Elusive World of Corporate Giving

BY JACK SHAKELY

Can't anybody say anything good about corporate giving? It certainly isn't fashionable to do so. In the past two years it seems that the great American pastime has turned from baseball to writing derogatory articles about corporate philanthropy.

Hundreds of studies, thousands of articles and perhaps a million business club speeches are churned out every year and each of them drags corporate giving over the coals.

It's easy to knock corporate giving; it's like shooting fish in a barrel. But what good does it do? Do you scream at a sunset, asking for a little more orange here, a little more purple there?

Curiously, although there is almost total agreement these days that corporate philanthropy is a shambles, there is almost total disagreement as to why.

Even the Filer Commission on Private Philanthropy and Public Needs, which was headed by a corporate philanthropist (John Filer

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of Aetna), almost came to blows over the issue. "The commission recommendation on corporate philanthropy was passed by the slimmest margin of all the recommendations," a source close to the commission observed. "Even so, it was so watered down that it pleased absolutely nobody.

At the heart of the problem of corporate philanthropy, and corporate social responsibility, is the traditional love-hate relationship America has with its corporations. We like to think of corporations as people—living breathing things that we can classify as good guys or bad guys, with us or against us. Although many of us can't articulate it, the whole idea of corporations giving away money is somehow slightly suspicious, a non sequitur. Texaco sponsors the Metropolitan Opera and withholds trillions of cubic feet of natural gas. How do we deal with that?

The Filer Commission, for all of its power and money, didn't deal with it. To show you how corporate philanthropy can boggle even the best of minds, the commission said corporate giving was the "last frontier of philanthropy," called it "unimpressive and inadequate," then decided not to deal with either of those two statements and instead recommended that corporations increase their giving to 2 percent of net profits (current corporate giving hovers just below 1 percent). Now everybody knows that a $2,000 grant can be just as unimpressive and just as inadequate as a $1,000 grant, but that's what happens when you deal with corporate philanthropy. It turns your mind to butter.

The reality, of course, is that corporations give (well, at least some do). Corporate giving now amounts to $1.35 billion a year, which is probably inadequate but certainly impressive. Somebody is giving away corporate money and somebody is getting it and all the rhetoric from one side and strident derision from the other side isn't going to change that much.

Jack Shakely is a training coordinator for The Grantsmanship Center.

This article will attempt to deal with corporate giving as it is today, how it grew and where it is going, the different types of corporations and corporate giving structures, the realities of obtaining corporate money and will try to leave the sermons to other writers.

It certainly wasn't the way the article was originally intended. After months of study and interviews I was so confused and angry about what I was told and what I learned to be true that only an expose would satisfy me. Things began to change when I had my first meeting with a corporate philanthropist who agreed to be totally honest, but only as long as I agreed to keep him totally anonymous. Many people, as a matter of fact, agreed to speak candidly only if their comments were off the record. To honor these requests I had to invent a character who I will call Deep Pockets. We didn't meet in darkened parking garages nor did we move geranium plants when we wanted to talk. As a matter of fact, Deep Pockets may be more than one person. He was, however, always thought provoking.

"The whole idea of corporations giving away money is somehow slightly suspicious."

Our first meeting was in an airport lounge.

Me: *I can't decide on a title for my corporate giving expose. What do you think about "The Myth of Corporate Philanthropy?" Or how about "The Gong Show of Giving: Corporate Charity?" I kind of like that last one.*

Deep Pockets: What do you do in your spare time—pull the legs off grasshoppers? Taking a poke at corporate philanthropy is as easy as taking a poke at Duane Bobick. What do you prove when you're through? That corporations aren't professional philanthropists? Fine, but first you should know that it's not as easy as it looks. Let's take an example. I give $50,000 to the Stanford School of Business. And I get a thank you letter from the dean. But that's not all.

First I get jumped on by William Simon and David Packard for fueling the fires of my own demise because some professor there has come out in favor of nationalizing all corporations. Then I get it from a group who believes the only reason I made the grant was to co-opt the university into a pro-business stance. I get a letter telling me that it's ridiculous to fund such traditional and established organizations when so many new ones are struggling for parity. The president of my company doesn't want me to tell anybody about the gift because he's afraid every other university will be breathing down our necks, Evelyn Davis and Milton Friedman are scheduling a proxy fight to get rid of all of us because we're giving money away instead of paying bigger dividends and the IRS is thinking of disallowing the gift entirely because the chairman of our board was just named president of the Stanford School of Business Alumni Association. So you want to kick me too? Go ahead. I'm down.

Me: *What are you trying to tell me? That corporate philanthropy is good, but we just don't understand?*

Deep Pockets: No. I just don't want you to quote some figures from the Conference Board saying only 20 percent of the corporations in America make contributions, shake your head, give another quote from Paul Ylvisaker about corporate giving being "dismal" and then walk away. There must be something we're doing right. I don't mind you knocking corporations. But if you find a couple of good ones, dig below the surface and tell us why they're good. I'll listen. I'm just as confused as you are. I'm not even sure that the general public wants corporations to give. The SEC doesn't give a damn, I can tell you that.

HOW IT ALL STARTED

After Deep Pockets left, I did some digging. It is hard to tell whether the American public wants corporations to give or not. According to a recent Yankelovich poll, the average American is so poorly informed about corporate giving that any opinion might be premature.

Historically, however, this country has been quite clear that corporations and charity should remain at arm's length. For over 100 years, American law and public opinion (such as it was) was in agreement with the established English precedent that charity had no place on the corporate board of directors. It wasn't until well after the turn of the century that a number of factors came together to challenge this notion.

World War I was one of the two major factors. War, and the national fervor and high profits it generates, has always been a stimulus to corporate philanthropy. One of the leaders was the Red Cross. Still uncertain of the legal authority that might allow corporations to give, but certain of the moral authority, the Red Cross came up with an ingenious idea called the Red Cross Dividend, which called for corporations to contribute to the Red Cross an amount equal to a dividend paid an actual stockholder. With national sentiment running high in favor of the war effort and, thus, the Red Cross, no court wanted to test this legal fiction.

It should be noted that not only did World War I stimulate corporate giving, it developed a mechanism for it as well. Most major cities across the country started War Chests as a way to attract individual and corporate contributions. When the war was over, it was a simple matter to shift from War Chest to Community Chest. The United Way was born.

The second factor was generated by a decided anti-business feeling that seemed to be coming from all sides. "Trust Busting," labor unions, Marxism and Upton Sinclair may have come from different directions, but they all wound up on the corporate doorstep. Sinclair's corporate exposes had a particular impact on a nation that had just "saved the world for democracy." A popular ditty of the day went:

The golf course lies so near the mill
That almost every day
The little children can look out
And see the men at play

This led to the burgeoning of the idea of corporate image and public relations. Led by John D. Rockefeller's nefarious public relations man, Ivy Lee, corporations were urged to become philanthropic because it was good for business. Ivy Lee went so far as to suggest that old Mr. Rockefeller stuff his pockets full of dimes and throw them to needy-looking children as he walked the streets of New York.

Two Sides of Corporate Giving — A boy working in a glass factory, c. 1910. John D. Rockefeller holding some of the 30,000 dimes he gave out as a PR gesture.

Photograph by Lewis Hine from Bettmann Archive

Associated Press photograph

Most of Ivy Lee's ideas have fallen into disrepute, but this one still gets a lot of lip service.

Corporate giving continued to grow throughout the 1920's and into the 1930's without any specific mandate from either state or federal governments. This growth had less to do with corporate philanthropic zeal than it did with the great increase in the number of community chests and united appeals springing up across the country, which increased the number of corporations giving to charity.

Finally, in 1935, the federal government decided to validate what was going on already. That year the Internal Revenue Code was amended to permit contributions to be deducted from federal corporate taxes up to an amount "which does not exceed 5 percentum of the taxpayer's net income as computed without the benefit of this subsection." Interestingly, that 5 percent deduction ceiling has never been changed (although a provision was added in 1964 to allow a corporation to deduct donations made in one year over a five year period) and for that matter, nobody seems to know or remember exactly why 5 percent was chosen in the first place.

A former SEC attorney hazarded a guess. "Well, it's hard to look back over 40 years, but you've got to remember that the federal government was allowing these corporate charitable deductions rather begrudgingly. There was still a great deal of sentiment, both in the courts and in the government itself, that philanthropy should not become a significant portion of a corporate budget. The IRS is somewhat vague on what it means by "significant," but more than 5 percent of net profits has been seen as significant in other contexts. Perhaps it was here, too."

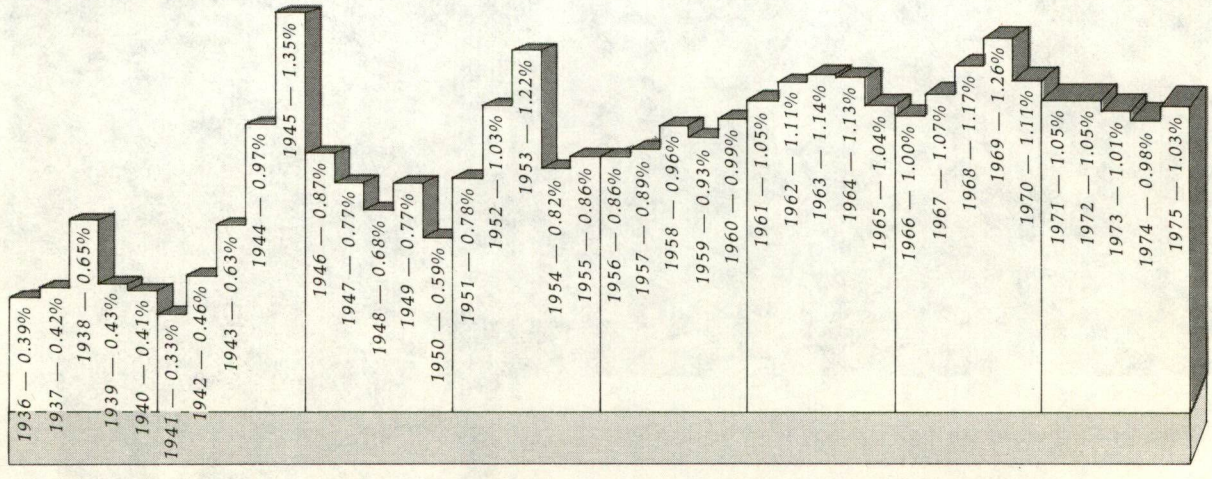
Although this enabling legislation did not in itself spur corporate philanthropy, World War II did. Corporate giving jumped from $38 million in 1940 to $266 million in 1945. This figure declined slightly after the war, with only $252 million in corporate contributions recorded for 1950.

But the Korean Conflict (which was the term we used for war in the 1950's) and its concomitant excess profit tax sent corporate philanthropy right through the roof. Most of the corporate foundations of today were started in the three-year period 1950-1953 (over 1,000 of them, in fact) and total contributions increased to $495 million in 1953.

Coincidentally, 1953 was also the year that many claim

The Red Cross was one of the first beneficiaries of corporate giving.

Corporate contributions as a percentage of net income before taxes 1936-1975.



Source: Conference Board

Photograph from Bettman Archive

heralded the beginning of "corporate social responsibility." That was the year of the A.P. Smith case.

Prior to this time, although corporations were allowed to make contributions to charity, the gifts were supposed to provide a "direct benefit" to the company or its employees. A gift by a corporation, for example, to a hospital in which the corporation sold its product and in a community where company employees lived would have been seen as a "direct benefit" gift. A similar gift to a hospital in another state, with neither product nor employee involvement, would theoretically not qualify.

The A.P. Smith case changed all that. The case was pretty much a set-piece, with many large corporations working together to use the A.P. Smith Manufacturing Company as their stalking horse. The company made a $1,500 gift to Princeton, and after a prearranged protest by the company's stockholders, the case went to court. The predictable court ruling allowed an "indirect benefit" to be sufficient cause for corporate charity. If the gift was for "the betterment of social and economic conditions," the court said, this would allow corporations to "discharge their obligations to society while reaping the benefits which essentially accrue to them through public recognition of their existence."

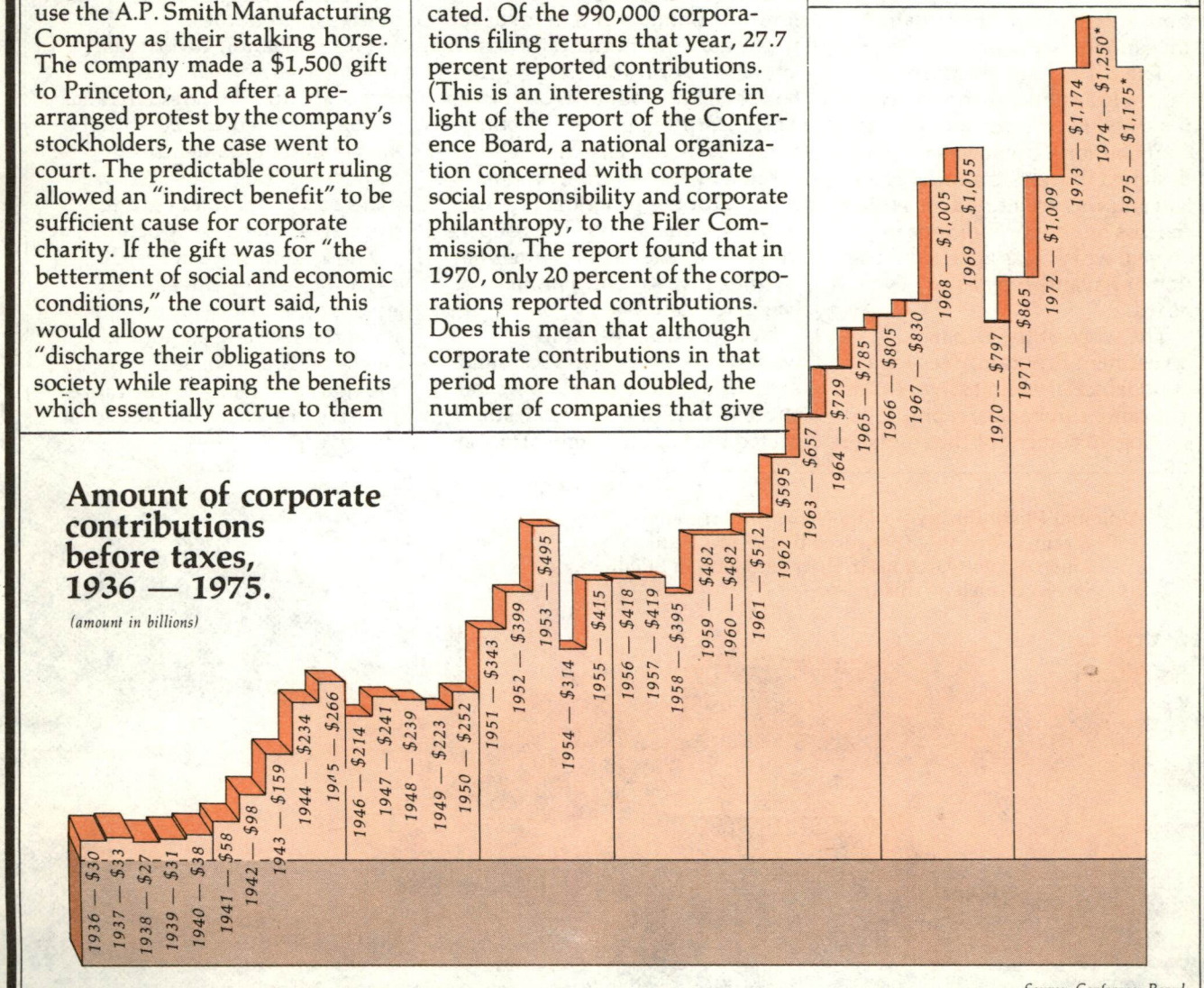
Every corporate philanthropist I interviewed marked the Smith case as the dawning of the new age of corporate philanthropy. Most books and magazine articles, including one reprinted in the NEWS, agreed.

Actually the Smith decision had no impact on the amount of corporate giving whatsoever. In fact, corporate gifts in 1954, the first year in which the Smith decision applied, plummeted to $314 million, a decline of $181 million.

By 1958, although the total dollar amount of corporate gifts had not yet climbed back to the Korean War level (primarily due to the recession of the late 1950's) the number of philanthropic corporations was still increasing, as an IRS survey that year indicated. Of the 990,000 corporations filing returns that year, 27.7 percent reported contributions. (This is an interesting figure in light of the report of the Conference Board, a national organization concerned with corporate social responsibility and corporate philanthropy, to the Filer Commission. The report found that in 1970, only 20 percent of the corporations reported contributions. Does this mean that although corporate contributions in that period more than doubled, the number of companies that give decreased by almost 8 percent? Or does it mean that corporations are giving more, but reporting it less? Or does it mean that the Conference Board's figures might have been wrong?)

As the economy perked up in the 1960's, so did corporate giving.

Then in 1965 came the inner city turmoil, and with it, another era of corporate philanthropy. Many corporations, such as banks, savings and loan associations and insurance companies with large holdings in the urban areas began to feel an immediate economic pinch. Other corporations that had been abandoning the inner city for offices in more sylvan settings found themselves vulnerable to criticism from a public looking desperately for someone to blame.



Source: Conference Board

Graph by Tom Whitney

THE $2 BILLION MISUNDERSTANDING

At the same time, the federal government (or more specifically HUD and President Johnson) started looking to corporations as a partner in the War on Poverty. Johnson took it to the corporations in two ways. First, he openly berated corporations for not sharing more fully in solving the problems of the cities. He said it appeared that corporations were content to let the government handle everything, and hinted that if that was the way they wanted it, maybe increased taxation was the answer. Privately, he was working with some of the major insurance companies across the country to develop what was to become the most ambitious philanthropic effort ever undertaken by corporations then or now: the Urban Investment Program.

The UIP is hard to categorize precisely as philanthropy, because it did not involve outright grants or contributions. But it was a program designed to address a social problem and was predicated on a financial loss by the corporations involved, which is as good a definition of philanthropy as any I've heard.

The scope of the Urban Investment Program, even on a national scale, was massive: 161 life insurance companies, representing 90 percent of the assets of the entire insurance industry, pledged $2 billion, half in 1967 and half in 1969, to pump investment capital into the inner cities.

All of the investments were "high risk" and were by definition loans that would not have been undertaken had more traditional fiduciary standards been applied.

It took almost five years to invest the money, and although 100,000 housing units, 60 day care centers, 40 nursing homes and two industrial parks were produced, nobody can honestly say if the program succeeded or failed. There were a great many lessons learned from UIP, however, and some of them are disquieting.

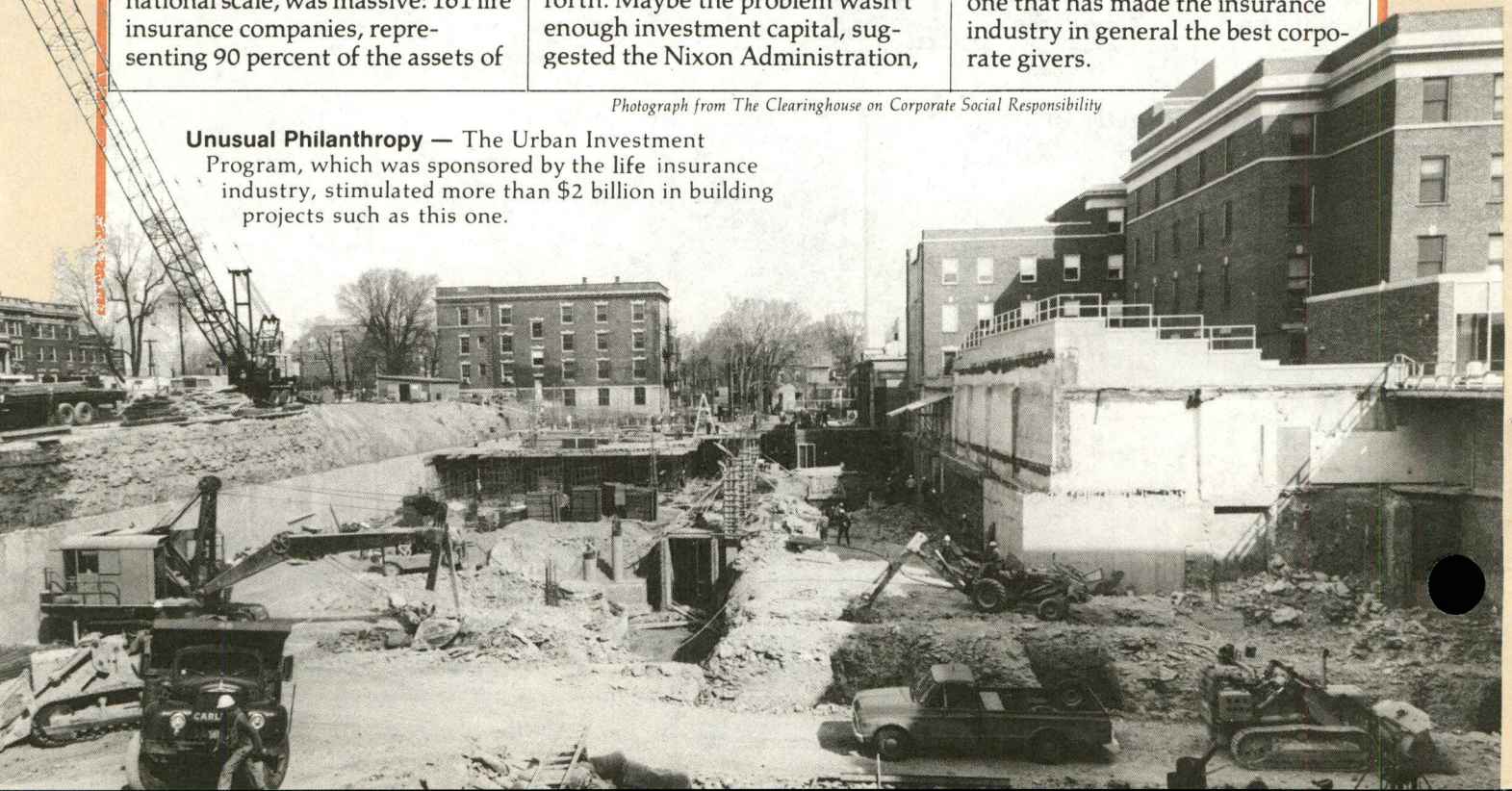
The most disquieting aspect was the shift in attitude by the federal government midway through the program. Urged, cajoled and virtually bullied by the Johnson Administration to make the initial commitment, the insurance industry found the program had been hung out to dry by Nixon. The Clearinghouse on Corporate Social Responsibility, which was created by the insurance industry to monitor the program, put it more diplomatically: "The cooperation of the federal government in opening investment channels began to wane."

Not only did it begin to wane, it began to swing back and forth. Maybe the problem wasn't enough investment capital, suggested the Nixon Administration, maybe the opportunities for inner city investment simply didn't exist. Or maybe, the government mused, the local city governments were not being given flexibility and authority. As the administration hopped from one emphasis to another, those people in charge of the Urban Investment Program became frustrated and, ultimately, disenchanted. "In attempting to adapt its Urban Investment Program to government strategies, business found that those strategies fluctuate too rapidly and erratically to sustain the stable, long-term solution that city problems require." An industry can quickly adapt itself to public purposes, the Clearinghouse report stated, "but an industry cannot itself set the public agenda, or be a substitute for national leadership and commitment. Nor, perhaps, should it."

This vacillating government attitude was not lost on some corporate thinkers, though it has seldom been articulated. If that "last frontier of philanthropy," corporate giving, is opened, will there be a government grant frontier closing quietly behind?

Those companies in the UIP learned two other invaluable lessons, one that helps us understand the seeming paradox of much corporate philanthropy, and one that has made the insurance industry in general the best corporate givers.

Photograph from The Clearinghouse on Corporate Social Responsibility



Unusual Philanthropy — The Urban Investment Program, which was sponsored by the life insurance industry, stimulated more than $2 billion in building projects such as this one.

First, the UIP experiment showed that strong personal direction of a corporation's chief executive is essential to the strong philanthropic efforts of the corporation. "Investment officers, no more than marketing staff, actuaries [or] personnel directors, are not trained or hired to concentrate on needs of the poor or the employment problems of minorities," the Clearinghouse study said. "They come to their jobs with other motivations and varied social viewpoints." The chief executive must set a social viewpoint and establish the importance of the corporation's philanthropic activities.

If that doesn't happen, a corporation might give a million dollars to an inner city health project and practice redlining in the same area. This situation, where corporate giving is not integrated with other corporate endeavors, often occurs when the chief executive uses philanthropy as a plaything, or when contributions are kept so hidden that nobody, including those inside the corporation, knows exactly what is happening.

The last UIP lesson was one of maturity. Fancy brochures and Rotary Club rhetoric didn't build houses. Moreover, building houses didn't necessarily solve the problems of the inner city. This may be painfully obvious, but to many corporations it was just plain painful. "Nothing is more frustrating," the UIP report stated, "both for the business enterprise and for the intended beneficiary, than the attempt to apply good intentions and not much else to the solutions of a major social problem."

THREE COMPANIES

Taking Deep Pockets advice to find some good corporate giving programs and then find why they are good, I selected three companies out of the dozen or so recognized leaders for an in-depth look.

The first company was unearthed during the UIP investigation. This is the Equitable Life Assurance Society in New York, called by Milton Moskowitz, a leading writer on corporate philanthropy, "the best of the best."

The second is Syntex Corporation, one of the glamour corporations of the late 1960's that helped develop, among other things, the oral contraceptive.

The third is a company that has been on most people's top list for more than two decades: the Cummins Engine Foundation.

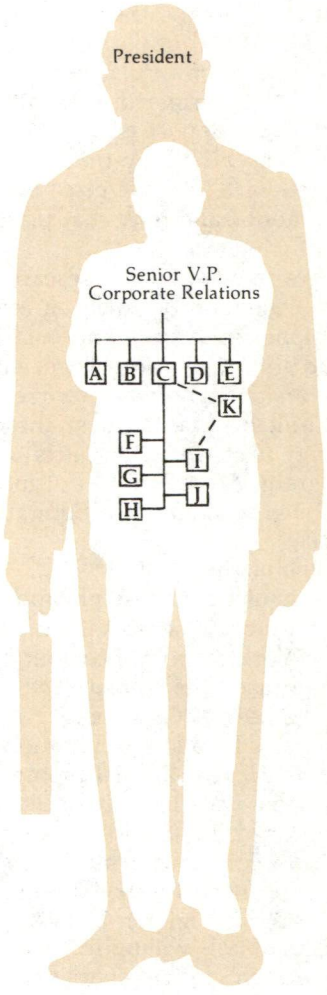
At first glance, these three companies are as different as almost any three companies could be. One is in New York City, one a small mid-western city, one in a lovely northern California community. One company gives 5 percent of net profits to charity, one less than 1 percent and one (Equitable) has a formula for giving based on net investment income, because it has no profits per se and no tax advantage. One is pretty much a family-controlled company, one has a traditional management structure and one a fabric of semi-autonomous international units.

Yet the three had at least two things in common and both bore a direct relationship to the excellence of their philanthropic efforts: a strong dedication on the part of top management that corporate giving was important; and a willingness to make their philanthropy visible and easily understood, both within and without the corporation.

GAINING EQUITY AT EQUITABLE LIFE

Equitable, as part of its structured of the companies in its organization of corporate philanthropy and one of the few organizations that provides a career ladder for the corporate giving officers. (Deep Pockets said, "Philanthropy Director is the kiss of death in most companies. If you are offered the post of vice president for corporate philanthropy, or whatever title they give that position, it means you aren't being considered for president, now or ever.")

Organizing Philanthropy at Equitable Life



A Office of Consumer Affairs; **B** Office of Corporate Social Responsibility; **C** Office of Corporate Affairs; **D** Office of Advertising; **E** Office of Corporate Communications; **F** Affirmative Action; **G** Community Services; **H** Matching Gifts; **I** Corporate Support; **J** Special Projects; **K** Contributions Committee—one representative from each area: Investment Operations; Individual Operations; Agency Operations; Group & Health Operations; Corporate Operations; Equal Opportunity Officer; Chief Medical Officer.

Graph by Lauren Steinhauer

Continuing its efforts begun during the UIP, Equitable maintains a large minority enterprise small business investment company.

The people in charge of philanthropy at Equitable remember vividly the lessons learned in the Urban Investment Program. Not surprisingly, the company spends a great deal of time on evaluation. John Pulsipher, Equitable's former director of corporate support programs, said, "I spend all my time concerned with how we place people and money and how that placement is working.

"We rely heavily on research and evaluation of our programs," Pulsipher said. He mentioned a blind survey of 100 colleges and universities who were recipients of Equitable grants and an internal survey of its matching gifts program. According to Pulsipher, both led to changes in Equitable's policies.

One of the most striking aspects of Equitable's philanthropic program is what Vita Toros, a New York corporate consultant, has phrased "its transparency." Of the nearly 200 corporate annual reports I read in preparation for this article, the annual report of Equitable was the only one that mentioned the specific dollar amount contributed by the company in the past year ($1.8 million in 1975, $2.1 million in 1976).

Equitable is willing to share with grant seekers every aspect of its corporate support policy. Of course, unlike most companies, Equitable *has* a corpotate support policy and is not willing to sit back and let the Good Old Boy Network set its giving plan for it. "We really try to focus our effort," Pulsipher said. "Rather than looking at a pile of proposals and saying 'this is good, this is bad,' we set up objectives and targets for our philanthropy. Admittedly this screens out some programs that are good, but it also gives us some direction and provides the framework for making decisions."

Potential grant seekers are made privy to Equitable's direc-

MARKETING GRANTSMANSHIP.... Although few would suggest that you can raise funds by clipping coupons, the Syntex ad above is an interesting attempt to share a company's philanthropic preference with the public.

tions and decision process by receiving two very inexpensive but highly informative documents that explain what the corporation funds, what it does not fund and why. The company has six priority areas: community outreach, education, equal opportunity, health, individual involvement and the United Way. These priority areas are fully explained with a list of past grant recipients included.

One other thrust of Equitable's philanthropic efforts that sets it apart from many corporations is its decision to fund fewer projects for larger dollar amounts. The average grant made by Equitable last year was $5,000, which is five times greater than the average foundation grant in America and at least 10 times greater than the average corporate gift.

Transparency is the key to Equitable's success. Potential grant seekers may walk away

from Equitable disappointed, but seldom frustrated. This is a difference that some corporate executives have trouble understanding.

SYNTEX: ONE MAN'S PHILANTHROPY

Three thousand miles away from Equitable is the Syntex Corporation of Palo Alto. During preliminary interviews for this article, most people responded to the question "Who's good in this area?" with "Contact Frank Koch at Syntex."

I contacted Frank Koch at Syntex and found an excellent philanthropic program that was different in every respect from Equitable, with one major exception.

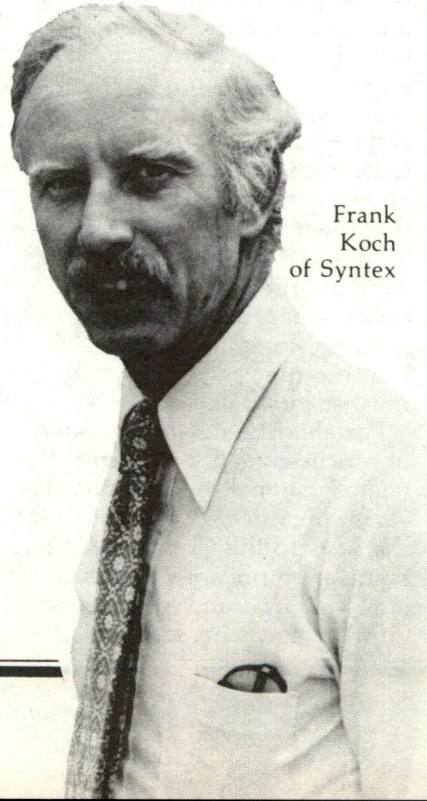
Interestingly, Syntex does not give at the 5 percent limit nor the 2 percent limit suggested by the Filer Commission. In fact, Syntex gives .7 percent of net profits, which is slightly below the national average. In contrast to the highly structured organizational set-up of Equitable, philanthropy at Syntex is pretty much a one-man show, that man being Frank Koch. In further contrast, Syntex doesn't believe that the large grant is necessarily the good grant. "I've got nothing against a $20,000 grant, if that's what is needed, but I've got nothing against a $200 grant, either."

What, then, is the unifying factor? It's visibility again, and in the case of Syntex and Frank Koch, visibility takes on some of the trappings of a media blitz.

The Syntex Corporation's written information to grant seekers is perhaps the most comprehensive of any corporation. Administratively, you learn how much the company contributes, the date of its fiscal year, when philanthropic budgets are formulated, when is the best time to make requests, how much of the contributions are allocated in advance to specific organizations, what is set aside for new organizations or new projects and whom to contact, including address and telephone number. Programmatically, you learn the general areas of support and non-support (including that 1960's favorite of schools and hospitals: good will advertising by the corporation in the institution's programs and brochures. "If the organization is deserving of support, we would prefer to consider a direct contribution.")

There is a list of 18 questions that Syntex uses as criteria for support, such as "Can we identify our contribution with a particular project or will it go into a general fund?" and "Can we conveniently monitor the success or failure of the organization's efforts?" Last comes a section on what to include in the proposal, including the comment that a proposal "is a tool for translating an idea... into a coherent plan that is specific and manageable."

"You've got to hire somebody who understands the whole process of philanthropy, who's willing to go out in the community, listen, make decisions and occasionally take some risks."



Frank Koch of Syntex

Photograph from Syntex Corporation

In addition, Syntex publishes special philanthropic and social responsibility issues of the company newspaper that are sent not only to every employee and director, but most Palo Alto community organizations and nonprofit agencies as well. Syntex even ran a full page ad in the local newspaper (see page 8) extolling the virtues of 20 organizations that the company funds and urging others to do likewise. "If our company sees a really good project, if we really believe in it, we'll go out and try to raise money for it. I become a fund raiser for some organizations," Koch said. Nonprofit groups in Palo Alto that are unaware of the philanthropic policies of Syntex really aren't trying very hard.

Frank Koch could, and in fact did, write a book on corporate philanthropy. Much of his time is spent trying to convince companies that they must make their philanthropy businesslike if they are to make their business philanthropic. "Some corporate executives see philanthropy as an exercise in check-writing. But you've got to have written philanthropic policies and resources that are put out with the same cost effectiveness as any other area of the company. To do this, you've got to hire somebody who understands the whole process of philanthropy, who's willing to go out in the community, listen, make decisions and occasionally take some risks. For some corporations, the contributions office has been a dumping ground for people who didn't make it in marketing or sales. This is a tragic mistake."

On taking risks, Koch said, "Many corporations lack the courage to take on some grants because they fear some potential conflict. Potential conflict never hurt anybody. For example, we fund the National Resources Defense Council, which is an environmental organization that litigates. I can't make a promise to our management that NRDC will never sue us. We have chemical plants and many programs that bear on the environment, so the

possibility is there. But I feel it is a good organization, doing good work. If the time comes when they actually sue us, our grant might become untenable. Until that time comes, I'm not going to a priori say not to get into that sort of organization. Of course, I couldn't authorize a grant to an agency whose whole thrust is completely opposed to what our corporation stands for. That's not philanthropy. That's madness."

CUMMINS ENGINE: A POTENTIAL PARTNER

Midway between New York and Palo Alto is Columbus, Indiana—the epitome of Centerville, USA, where they still have sidewalks and cheerleaders (who still look like June Allyson) and beautiful schools. In Columbus is the Cummins Engine Company, the Cummins Engine Foundation and their creator, J. Irwin Miller, a man who *Esquire* magazine once described as the individual in America most qualified to become President of the United States (maybe *Esquire* was right: that was the year we elected Richard Nixon).

The contributions effort of the Cummins Engine Company is funnelled through a corporate foundation, a corporate giving structure which is different from both Equitable and Syntex. Corporate foundations are by their very nature the most visible of all corporate philanthropy in that, as all private foundations, they must file annual 990-AR and 990-PF reports that list every grant made and are, of course, open for public inspection.

Even among corporate foundations, however, Cummins keeps a high profile (it may be the only foundation to be fictionalized in a novel—Kurt Vonnegut's *God Bless You, Mr. Rosewater*).

Locally, Cummins Engine may not be able to lay claim to the sidewalks and cheerleaders, but the beautiful schools are a direct result of Cummins philanthropy. In the early 1950's, Columbus was enjoying the same post-war building boom that saw thousands of schools and public buildings spring up across the country. "We were concerned that the physical development of the schools would shape the development of the educational system as well," said Ed Booth, president of the foundation. "We therefore devised a program to pay all architectural fees for public buildings in and around Columbus." To those critics who accuse corporations of trying to take over projects with their contributions, it is interesting to note that the public agencies select their own architects. "We are prepared to let someone else be the architect. We are not architects; we are interested in good architecture," Booth said.

The visibility of Cummins' architectural fee program is hard to escape if you live in Columbus. Fifteen of the 17 schools built in that town in the past 20 years have been a part of this program, as have the fire station, the post office, school administration building, community mental health center and the soon-to-be-finished city hall.

For almost a decade Cummins has focused on another area, this one of national scope—minority community development. One of the keys to the Cummins Engine Foundation philanthropic success is a foundation and company-wide effort to focus on specific charitable targets and then get the word out to potential grantees. This saves the foundation time and energy responding to inappropriate requests.

For the minority community development program, Cummins began its efforts by hiring five program officers (in Washington, D.C., Atlanta, Los Angeles, Chicago and Detroit) who were already active in the civil rights movement and who had attained credibility and visibility on their own. "We knew what we wanted to address," Booth said, "but we weren't that well plugged into the specific problems. So we went out and found people who were."

The officers were not only able to provide expertise and program direction, they were able to pass the word along to agencies and groups who might benefit from such a philanthropic thrust. The minority press, such as *Black Enterprise* magazine, was also used effectively. "Our program may not be well-known to the general public," Booth said, "but within the minority community, there are few who don't recognize us as a potential partner."

. . . . . .

Three companies, different in the organization of their philanthropy, different in their level of giving, even disagreeing on what types of grants are best for the community, yet unified in their belief that philanthropy doesn't work well in the shadows. These three (and perhaps a dozen others) do their philanthropy in the sunshine and have the courage to share with us the difficulty of giving money away.

OK, Deep Pockets, I found some good corporations and I think I found out why they are good. But for every corporation that sees grant seekers as allies, there are still hundreds that see them as adversaries, something to parry, to confuse and, hopefully, to ignore. Most corporate philanthropic programs are still like mushrooms in the basement, springing up at random in the dark and disappearing again without a trace.

(continued on page 46)

Who Gets What

This chart indicates how corporate dollars are distributed. It is based on a 1975 Conference Board Survey of 796 companies that account for 37 percent of all corporate giving.

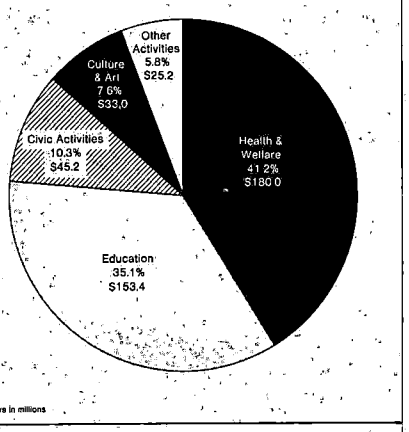


Chart from The Conference Board

Putting Philanthropy on the Assembly Line—

The Fel-Pro Experience

There is a company in Skokie, Illinois that is seldom mentioned when "5 percent" corporations are discussed. Yet Fel-Pro contributes 5 percent every year, and the way they do is intriguing.

You've probably never heard of Fel-Pro (or Skokie, for that matter) and you're not likely to see their product on a shelf, unless you happen to be a parts jobber for the automotive industry. Fel-Pro makes gaskets, zillions of them, and if you own an American car, you own a Fel-Pro gasket.

Fel-Pro is a family business, run by third and fourth generation descendants of the original owner, Albert Mecklenburger. There are no stockholders.

The company is run by a man named Elliot Lehman, who not only believes in corporate social responsibility, he's an activist in the area. Some years ago Lehman and a handful of other Chicago area business leaders formed Businessmen for the Public Interest, an organization that helps other businesses remember their own corporate responsibilities by suing the pants off them. In the past years BPI has successfully battled Commonwealth Edison, the Chicago Housing Authority, Sears and US Steel, among others.

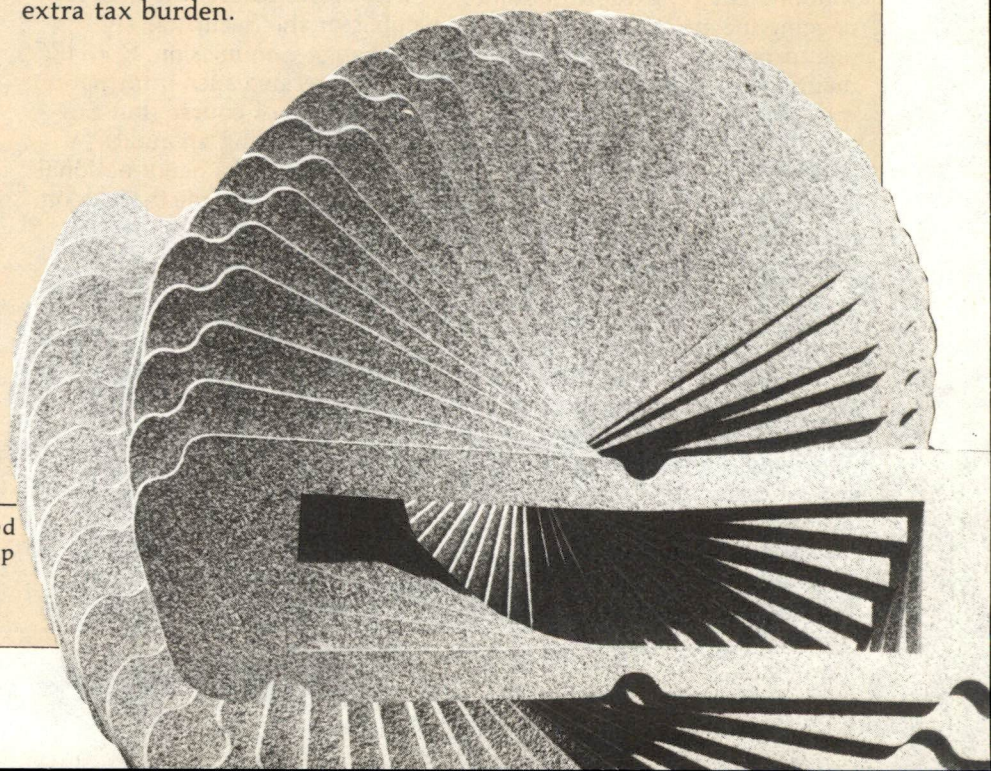
Elliot Lehman also believes in corporate philanthropy and feels the best way for Fel-Pro to see a philanthropic "return" is to structure giving as an employee benefit. "You've got to be part of the community," Lehman said. "Our philanthropic efforts will be successful if they assist our employees to be better citizens, to take a greater part in our community."

Here are some of the employee benefits you can expect at Fel-Pro:

- The Better Neighborhood Fund. Any Fel-Pro employee may recommend a neighborhood organization for a modest ($500 maximum annually) grant. If the organization meets the nonprofit test, the grant is usually made within 60 days.
- Any employee who wishes to legally adopt a child will receive up to $500 in assistance.
- Employees wishing to vote receive one hour of paid time off for that purpose. Those employees who vote before or after work receive an additional hour of pay in their next paycheck.
- To emphasize the importance of education, Fel-Pro sends a $100 graduation gift to every dependent child of a Fel-Pro employee who finishes high school.
- When 1975 government regulations required that strictly internal corporate scholarship plans be considered as taxable income to the employee, Fel-Pro increased the level of the college scholarship it provides children of employees from $500 to $650 to cover the extra tax burden.
- When an employee has a death in the family, Fel-Pro sends a check for $150 to help defray funeral expenses. Family is defined to include in-laws as well as immediate family.
- Babies born to Fel-Pro employees receive a $25 deposit in a bank account set up by the company.
- The company's tuition refund plan pays employees up to $750 a year for special education and training.
- Fel-Pro hires a resident sculptor who is free to do anything he wants, although his medium is often old gaskets and metal scrap.

Most of these employee benefits don't qualify as philanthropy, but Fel-Pro employees feel that they can be personally involved in human service agencies and the corporation will financially back them up.

It is interesting to note that since Fel-Pro's creation in 1918, the company has never experienced a work stoppage because of management-employee disagreement or misunderstanding.



Fel-Pro sculptor-in-residence Ted Gall uses a variety of industrial scrap materials—in this case leftover cork cuttings—to create his art works.

RESEARCHING CORPORATE GIVING

A few months ago, a packed audience at a National Council on Philanthropy meeting heard Henry Brett of Chevron discuss "The Appropriate Way to Approach Corporate Donors." Approach corporations confidently, Brett said, but first do your homework, get to know the corporation, the personalities, the corporate interests, their programs and goals *as outlined in their annual reports* (emphasis is mine). Brett went on to say that grant seekers should learn what the corporations are trying to accomplish through their donations made locally, regionally and nationally.

He finished by saying that the interest of the stockholder governs contributions, not the interest of management. While corporations strive to be community-oriented they must also be conscious of how their actions will impact upon the stockholders. Brett's comments were followed by those of some nationally-known fund raisers who said that, indeed, this was pretty much applicable across the board in the area of corporate giving.

Sound advice, except for some nagging inconsistencies. First, not one corporation in five makes any mention whatsoever of its corporate philanthropy in its annual report. Of the hundred or so I studied, only a handful noted specific areas of interest and only one (Equitable) mentioned the exact dollar amount given away. Not one mentioned who the potential grant seeker should contact.

Second, even for those corporations with foundations, researchers must, in most cases, do a blind search through the 990 annual reports. Because most corporations keep minimum assets in the foundation (it is not unusual to see a corporate foundation with assets of $200,000 giving away $300,000—the company flows the money through the foundation but doesn't leave it there), hundreds of corporate foundations were not included in the last edition of *The Foundation Directory* in that they did not have the minimum $1 million in assets nor grants in excess of $500,000 to be included.

Third, some corporate foundations aren't named for the corporation at all, but for the founder of the corporation or some name pulled out of a hat.

"Most corporate philanthropic programs are still like mushrooms in the basement, springing up at random in the dark and disappearing again without a trace."

Want a grant from the Consumers Rock and Cement Company? Go to the Harney Foundation. The United Tanker Corporation? Try the International Foundation in New Jersey.

Do your homework with corporate philanthropy? Good idea, but consider this: corporations are not required to divulge their specific contributions to their stockholders, the general public or the Securities and Exchange Commission. Even IRS doesn't receive such information as a matter of course (but can request it during an audit). A spokesperson of a major national auditing firm told me that seldom will the auditing firm itself request specific contribution information during preparation of a company's audited financial report. Even when the auditor requests such information, it is not always forthcoming.

As far as stockholder influence on corporate grants, Deep Pockets had some comments on that.

Deep Pockets: Of all the myths surrounding corporate philanthropy, this is one of the most widely held. There is no basis in truth. It's important to remember that public utilities, mutual insurance companies and family-held corporations don't have stockholders, so we can discount them.

"For those corporations that have stockholders, let's look at how they work. Cities Service Corporation, the oil company, has over 135,000 stockholders, yet fewer than 150 showed up for the last annual stockholders' meeting. This pattern is not unusual at all. As you noted, the SEC does not require any philanthropic information in the annual report to stockholders, so the vast majority don't know where, or if, the corporation is giving. Corporations are controlled by management, pure and simple. When corporations change presidents, it makes headlines the same way a change in presidents in France or Mexico does.

"Add to this the new, stiffened SEC regulations on proxy fights [if a non-management resolution fails to get at least 1 percent of the stockholder votes, the group bringing the resolution must pay all costs; if the resolution does not get at least 3 percent of the votes, it may be excluded for five years, and at the second hearing it must receive at least 6 percent or it can be excluded again] and you see that management is in a very powerful position.

"But perhaps the most important concept to bury the 'stockholder power' myth is what is known as the 'Wall Street Rule.' You see, people (and universities and mutual funds) don't buy stock in a company because they are interested in the company. They are interested in the way that company performs on the stock market. If the stock goes up, that's good, if the stock goes down, that's bad. The Wall Street Rule says if you don't have faith in the company, sell your stock. Believe me, if management likes mental health and tap dancing, the corporation likes mental health and tap dancing. Can you imagine management writing a

letter to stockholders saying, 'We give to our Alma Mater and we think we should give to yours, Send us the name of your college and we'll send them a check.'

"Now as far as researching corporations is concerned, a person should start with his or her own agency. Find out how many employees of the ABC corporation used the agency's services last year, project how many will use them this year and then tell the corporation exactly that. To help people learn how to find out what a corporation will fund, why don't you pick a corporation that doesn't have a foundation and research it. If the man from Chevron suggested you look, why not look at Chevron? I'll give you a hint: you may not find anything listed under the name 'Chevron'; last year it was called Standard Oil of California."

. . . . . .

The next morning I set out for the library at the UCLA Graduate School of Management, one of the largest corporate reference libraries in the world. My first stop was the *Standard and Poor's Register of Corporations, Directors and Executives.* This register, which comes in two volumes, contains basic information on most major corporations. Volume one contains information on the corporation itself; volume two gives brief biographical notes on the key executives.

Taking Deep Pockets' advice, I looked under Standard Oil of California instead of Chevron. There it was... but what was it? At first, the information seemed helpful. There was the address of the main office, 225 Bush Street in San Francisco, and there was a telephone number: (415) 894-7700.

So far, so good. Next I ran down the list of executives to find out who within Chevron is responsible for contributions. "This is really too easy," I thought, "I already know Henry Brett is my man." But when I went down the list, no Henry Brett.

So with whom, if I didn't already have Henry Brett's name, should I make my initial contact? There was the chairman and chief executive officer, H.J. Hayes. Maybe I should start with him (or was it her? The book didn't say). Of course, there was the vice chairman, G.M. Keller. If G.M. was in charge of philanthropy, would he/she be hurt if I went over his/her head? What about the president, J.R. Grey? Doesn't anybody use first names in this company? There was a vice president for public affairs, G.T. Ballou. I bet G.T. has a hand in this somewhere, as does H.R. Hammerman, who is head of advertising. I was accumulating a great deal of information, but very little knowledge.

Slightly daunted, I moved to volume two. The only person listed was H.J. Hayes, and from the bio I found that H.J.'s first name is Harold, he was born in Ft. Worth and attended Texas A & M.

I then moved to the reports. Every corporation publishes three reports that are available for public inspection: the 10K report, a no-nonsense compilation of all the financial dealings of the corporation during the past year (all the "substantial" financial dealings, that is); the 8K report, which is a quarterly summary similar to the 10K; and an annual report to stockholders (ARS), which is the slick, handsome piece most of us think of when we think of corporate reports.

I tried the 10K first. I found that the company's net earnings for 1975 were $772,509,000. This was down, I was told, from the $970,018,000 earned in 1974, but was still the second best year in the history of the company. Nowhere was there a mention of the amount of contributions, if any, made by Chevron. When you have earnings like that, things don't become "significant" until they reach $40 or $50 million.

The 8K was no help either.

The annual report to stockholders was different. At the very end of the narrative portion of the report were two small paragraphs under the heading "Helping Through Contributions," or something like that. The company makes grants, the report said, in the areas of education ("to universities and colleges for research, scholarships and general support"), youth ("to such organizations as Scouts, Community Pride, Urban 4-H and minority training programs"), the arts ("local symphony orchestras, music education for schools, art organizations and cultural radio and television broadcasts"), health ("for local charities, hospitals, health research and traffic safety programs") and conservation and beautification (for "parks, wildlife and botanical societies, energy conservation studies and land gifts for recreation, along with expenditures for beautification of com-

MILTON MOSKOWITZ GIVES HIS LIST OF GOOD GUYS AND BAD GUYS IN CORPORATE PHILANTHROPY

The Good Guys

Aetna Life and Casualty
("greatly improved since John Filer took over")

Cummins Engine

Dayton-Hudson Corporation

Equitable Life Assurance
("the best of the insurance group")

Hewlett-Packard Corporation
("although you've got to watch out for David Packard")

IBM

Levi Strauss and Company

Quaker Oats Company

Syntex Corporation

Weyerhaeuser Corporation

Xerox

The Bad Guys

ITT

Colgate-Palmolive
("box-top philanthropy")

Metropolitan Life Insurance
("an old, tired company")

Bethlehem Steel

United States Steel
("the entire steel industry is pretty bad")

Milton Moskowitz is a nationally-recognized journalist specializing in corporations and was the founder and former editor of Business and Society.

pany facilities"). Nowhere was there any mention of how much money Chevron gave away, the types of agencies they would or would not consider, how, when or where applications should be made, and still no mention of Henry Brett. Curiously, too, although Brett said that his company's purpose "is not to give to nonprofits but to give to people through nonprofits," the annual report listed not people and programs, but nonprofits.

I decided to go to the source and dialed the number I found in the *Standard and Poor's Register.*

"Good morning, Chevron, USA."

"I'd like to speak to someone in charge of contributions, please."

(pause) "Just a moment." (longer pause) "That would be Mr. Brett. His phone number is 894-2566."

I contacted Henry Brett, who turned out to be very articulate, very sympathetic and filled with the desire to stay off the record. He did say for publication that Chevron gave away "around $5 million" last year and they don't give away gasoline. When I asked how people should attempt to find out more about Chevron's philanthropic interests and goals, I was told that "some people call, some people write us and ask us and some people come in."

I'm not picking on Chevron and I'm not picking on Henry Brett. The fact is there is very little sunshine in the world of corporate philanthropy. There is a shroud of mystery over the philanthropic efforts of most corporations. Many corporate executives act like foundation executives did 20 years ago—in despair because their good deeds go unnoticed and in fear that too much exposure will send a hoard of grant seekers down on them like avenging angels.

Even some of the best corporations seem to go out of the way to keep you in the dark. The Oscar Mayer Foundation tells grant seekers that grant "preference is given to community funds, hospital building campaigns and welfare agencies which operate in those cities in which the processing plants of Oscar Mayer & Co. are located." But it does not mention what those cities are. The Cabot Foundation in Boston says that unrestricted grants are primarily directed to those regions where Cabot employees are available to maintain direct contact with grantee agencies. Again, the Cabot Foundation lets you guess where those regions are located. Researching corporations is like playing Twenty Questions.

"Many corporate executives act like foundation executives did 20 years ago—in despair because their good deeds go unnoticed and in fear that too much exposure will send a hoard of grant seekers down on them like avenging angels."

As a result, most donees haven't the foggiest notion what a corporation really wants and often fire grant requests from the hip. The stockholders don't know anything, except what they learn from the platitudes in annual reports. More sadly, most corporation employees don't now what their own corporation is doing, and whatever sense of pride or goodwill that the employees might have felt is lost.

Even scholars and journalists get lost. Marion Fremont-Smith, in her book *Philanthropy and the Business Corporation,* wrote, "There is clearly a need for more precise information on the extent of corporation philanthropy... one can note overall growth and can be assured that the large companies are making substantial contributions in terms of dollars, but beyond that it is difficult to be precise."

Yet as imprecise as researching corporations is, Henry Brett is right. You should try to understand what management of the corporations is thinking. "And stop lumping us all together," Deep Pockets said. "Perhaps one out of five proposals I get these days from educational institutions is to establish some sort of free enterprise chair or sponsor some seminar called 'The Future of Tomorrow is the Corporation of Today.' Isn't this fostering the very process we're trying to get rid of? Who do they think they're kidding?"

One way to find out what corporate management is thinking is the most obvious way: call them on the telephone. Unlike most foundations, corporate executives reported feeling comfortable with telephone inquiries or personal visits. Be careful, however, that a casual inquiry doesn't become a full proposal review.

A common mistake made by inquiring grant seekers is to assume that corporate giving is housed in the public relations department. This is true only about 25 percent of the time. If your initial request to be connected with the person in charge of philanthropy meets with an inappropriate response, ask to speak to the president. The president may not be the right person (again about 25 percent chance of being right), but the president knows who is right. In fact, you may never talk to the president, so remember to consider the president's secretary as your ally.

To understand what a corporation believes, you need only find what management believes. A source of information about management is *Who's Who* and *Who Was Who,* both nationally and regionally. Here you will find hometown, school, awards, offices, boards and other community connections that management has. *Who Was Who* is important because even though a company founder may be long dead, his predilections may still linger. Kodak would be reluctant to give to a Rochester agency that George Eastman hated, though he died years ago.

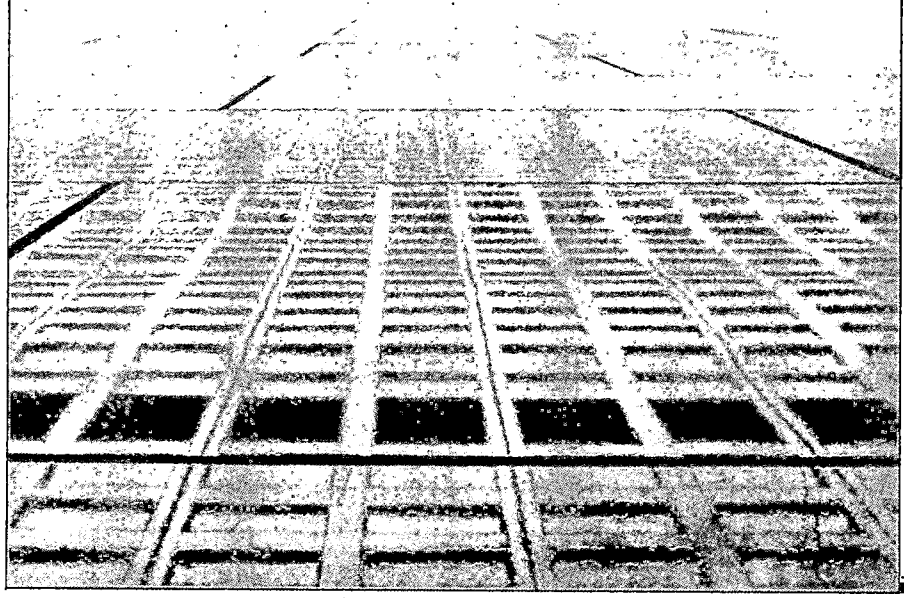
An important but seldom used

How to Destroy a Myth

Corporations are fond of telling you that management does not control the philanthropic efforts of the corporation. Below is a list of organizations of which Robert O. Anderson, chairman of the board of ARCO, is either a trustee or director and a list of 1975 grants made by the ARCO Foundation to those organizations.

ORGANIZATION	R.O.A. Involvement	ARCO Grant
Aspen Institute for Humanistic Studies	chairman	$142,000* $300,000**
Academy of Educational Development	chairman	none
Committee for Economic Development	member	$12,800
Business Committee for the Arts	member	$5,000
Carnegie Institution	trustee	none
California Institute of Technology	trustee	$1 million** $200,000*
Eisenhower Exchange Fellowships	chairman	$12,000
Los Angeles County Museum of Art	director	none
Lovelace Medical Research Foundation	chairman	none
Council on Foreign Relations	director	$7,000
University of Chicago	trustee	$500,000** $100,000
University of Denver	trustee	$5,000
Smithsonian Institution	National Associates Board	none
Wolftrap Farm Park for the Performing Arts	member	$5,000
The American Assembly	trustee	none

*Largest grant made by the foundation in this category.
**long-term grant



Photograph by Tom Whitney

research strategy is trying to up corporate executives who sit on private foundation boards with the interests of the foundation. If a corporate executive sits on two foundation boards and they are both strongly involved in arts funding, chances are the executive's corporation is also inclined in favor of the arts. The best way to check this is in the index of the *Foundation Directory*, which will give you a list of all donors, trustees and administrators of the major foundations in America.

In all corporate research, it must be remembered that corporate philanthropy is among the most provincial: the closer your agency is to the corporation, the better your chances of funding. Most corporations will not give outside of their plant cities. An obvious part of your corporate search must be done at home. Check your local chamber of commerce—many publish directories of local corporations. If there is a university with a business school nearby, it will invariably have an extensive library of corporate information, including corporate annual reports in many cases. (I seldom found much of merit in the annual report to stockholders, however, and I don't feel you should spend a great deal of time securing them. They often tell you more about the corporation's advertising agency than the corporation. On the other hand, don't ignore them completely. They do give a flavor of the corporation.)

Of course, for those corporations with a foundation, your research is greatly simplified. These corporations must publish a form 990-AR detailing every grant made by the corporate foundation, including the recipient, the amount and purpose of the grant. These 990-AR's are available for public inspection as are all private foundation reports and may be found in Foundation Center collection libraries in some 60 cities across the country. (See *Researching Foundations: How to Identify Those that May Support Your Organization*, which is available as a reprint from the Grantsmanship Center.)

The *Handbook of Corporate Social Responsibility* (see bibliography) is another source of information, but must be viewed with a gimlet eye. Hundreds of examples of corporate philanthropic endeavors are listed in this book, but not only is the book now seriously dated (mostly 1970-1972 information) most of the information was written by the corporations themselves and often portrays a company less as it is than as it would wish to be.

For all this research, you still may not know much more about the corporation than you did before, but at least you can be candid when you say, "I've researched your company as thoroughly as possible and feel this project is right down your alley."

APPROACHING CORPORATIONS

After your research is completed and the name of your corporate contact has been established, there still lies ahead the challenging, sometimes chilling, process of requesting the support.

As mentioned earlier, corporations feel comfortable with the personal approach. This "hands on" grantsmanship is typical of the way many corporate people like to conduct all their business and they are very good at putting subtle power factors into play. Contrary to popular opinion, many corporate decisions are made on impulse, and grant making is no exception. Clement Stone, the flamboyant Chicago businessman, is said to have made up his mind about funding a project based on the eye contact of the applicant and the manner in which he or she approached the desk.

Corporate power can be exercised in many ways, so be prepared. The president of a large national public relations firm has his office furniture designed so his chair is almost a foot higher than those of his (intimidated) guests.

Because corporate giving is so local in scope, the likelihood of a personal approach is better with corporations than with most large foundations or federal agencies. This can be both a strength and a weakness. The grant seeker's access to corporate people is high, but the skill involved in personal contact fund raising is not within everyone's grasp. The meek may inherit the earth, but their chances of securing corporate grants are not good.

Although your first meeting with a corporate executive may appear to be an information-sharing "let's rap"session, be prepared for a total oral presentation. There may not be a second. Corporate excutives pride themselves on making decisions and the chances are good that some decision will be made at the initial meeting. Be ready to back up any projected employee benefits with facts and statistics. Always request an exact dollar amount. Any hesitancy in this area will be viewed with suspicion. Moreover, you should be prepared for the almost inevitable

From Motorized Bikes to Automated Toilets

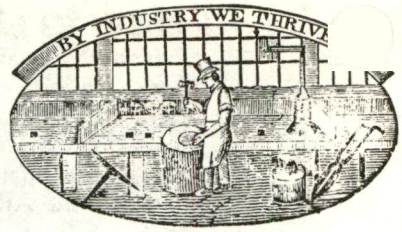
The types of things one can get donated by corporations are limited only by one's powers of imagination and persuasion. To stimulate your imagination, we've noted a few of the things a few organizations have pried from the corporate world.

Minibike Fleet

American Honda donated 10,000 minibikes to the national YMCA for use as a counseling tool with delinquent and pre-delinquent youth. The bikes were used as part of the National Youth Project Using Minibikes (NYPUM) and helped the program obtain federal funding.

Free Ride

Equipment rental companies will sometimes donate equipment to a worthy cause. For example, some of the 10,000 minibikes donated by American Honda to the National Youth Project were carried on special trailers lent by U-Haul.



Free Advice

Lawyers and law firms will donate their services for a wide variety of things. Nonprofit organizations quite often have their articles of incorporation drawn up by law firms that are donating their services.

Huck Finning It

When a group of English students from a university in Los Angeles decided to recreate Huckleberry Finn's voyage down the Mississippi, first they went to the school's engineering department to design the raft. Then they went to a lumber company for a donation of lum An oil company donated oi drums and steel plates, a large department store a tarp and a trailer rental firm donated a special trailer to haul the craft to Hannibal, Missouri, where the trip began. The English students went 550 miles downstream to Memphis, Tennessee, snapping pictures of the trip on film donated by a magazine (that never used the resulting photos).

ıen Giving Pays

...er large corporations have discovered that when they are renovating their facilities, it's easier to donate the conference tables, desks, chairs and such to community organizations. Then they can deduct much of the original cost of the equipment as a tax write off. Several minority nonprofit organizations have gotten their office furniture this way.

Give Us Your Vans, Your Trucks . . .

The same thing that happens with furniture has happened with vans and even trucks. Various local phone companies as well as delivery services have found that when it comes time to replace their fleets, they can do well donating their old equipment, because much of the origi- ost can be deducted from ;.

. . .Even Computers

Large corporations sometimes donate executive time to nonprofits, but one large aerospace company went even further. It loaned the entire staff of its computer department to help a nonprofit organization set up its own computer program.

Mushrooming Effect

Sometimes there's a mushrooming effect with corporate giving. A large corporation that believed in a particular cause to which it was making donations helped the grantee publish its annual report in this way: the company suggested to its advertising firm that it should donate its services, which it did. In turn, the advertising company leaned on an artist who did a lot of work for the advertising company. The advertising firm leaned on its printer, who leaned on its paper supplier. Another way many nonprofits have gotten printing donated is by going to certain large corporations that have their own presses. Often they will run off annual dinner announcements or annual reports during "dead time."

Hardhats With Soft Hearts

An alternative school director noticed an abundance of building materials at a local construction site and guessed that not all of the cement blocks would be used. He visited the site in hopes of getting blocks donated for a classroom the school wanted to build, and ended up enlisting the free services of the construction crew to build it!

The Art of Scrounging

Organizers of the Los Angeles-based Garden Theater Festival, a three-week long free celebration of the arts, have mastered the art of scrounging donations from businesses. Some of the things that have been given or loaned are sound equipment, lighting equipment, film, printing, design work, movies, flowers, libation, oranges, many other foodstuffs, cups and, perhaps most important of all, automatic flushing toilet units.

Nonprofits Donate

In Los Angeles, the nonprofit Southern California Rapid Transit District donated 100 advertising slots on the sides of buses to the Los Angeles City-wide Mural Project. CETA-sponsored youth have painted masonite murals for the buses dealing with environmental and community issues.

question, "What have other corporations given?"

An additional tip from an experienced corporate fund raiser: "Never give them something to read while you are talking. When people are asked to read and listen at the same time, they don't do either very well."

One way to make the personal visit less intimidating is to bring a friend, hopefully one that has some personal or peer relationship with the corporate executive. This is an old ploy in diplomatic relations (if they have one negotiator you bring two, if they have two, you bring three) and serves one very important function: it keeps the conversation going. You never know how long 30 seconds can be until you've weathered a half-minute of silence in the office of a corporate executive.

Even when contacting a corporate foundation located halfway across the country, the personal touch on the local level is still very important. If a corporate foundation is interested in your proposal, often the foundation executive will contact the local branch or plant manager in your area to find out something about your agency's background and community standing. If you contact the local manager prior to making your submission to the corporate foundation, you may find that a positive response locally will go a long way in influencing a decision at the corporate headquarters. If the local manager is willing to write a letter of endorsement, so much the better.

(continued on next page)

Illustrations from Dover publications

Photograph by Linda Eber

TYPES OF CORPORATE SUPPORT

As every corporate philanthropist is quick to tell you, corporations have a lot more to offer in support of charitable organizations than money. And in the area of in-kind gifts, corporations have the potential to be more creative than anyother area of philanthropy.

There are six basic areas of support you should consider from corporations:

1. Outright gifts and grants

As mentioned earlier, outright gifts from corporations tend to be smaller than foundation grants. Many corporations still feel the "good will" generated by a large number of small gifts outweighs large grants made to a few projects. Generally, those corporations without foundations tend to give more for general support, those with foundations tend more towards programmatic grants. It should also be noted that many corporations, including some of the largest, allocate corporate gifts to a geographic area in direct pro portion to the number of employees living in that area. If 20 percent of the total Xerox work force lives in Dallas, for example, about 20 percent of the Xerox Fund's grants will go to the Dallas area.

According to Ed Booth of Cummins Engine, outright gifts can themselves be divided into four groups:

- **The check out the door** — always small gifts, usually with little planning or concern that the gift falls within philanthropic objectives. Purchase of Girl Scout cookies, a pledge to the Jerry Lewis telethon or a ticket to a $100-a-plate fund raiser fall within this category. Nobody is particularly proud of these gifts, but nobody begrudges them either.
- **The general support contribution** — these are gifts made to agencies more for their overall respect or good work rather than a specific project. Most corporate gifts to higher education, especially alumni associations, fall under this category. Newer or less established agencies may find this type of support hard to come by unless a direct link between company and agency can be established.
- **Programmatic grants** — grants to specific projects addressing specific problems. These are the grants that corporations with defined philanthropic objectives prefer, because projects are identifiable, time limited and can be evaluated.
- **Corporate-sponsored projects** — a rare breed, these are projects that the corporation initiates, either by selecting an existing nonprofit agency to carry out the project, such as driver safety research conducted by an automobile insurance company or an experimental farm run by a producer of chemicals and fertilizers.

2. Matching gifts by employees

Historically, this had been the exclusive province of higher education, although many corporations are now extending the matching gifts concept to arts groups, hospitals and the public media. A corporation with such a program matches the contributions of its employees to certain types of organizations. According to the Council for the Advancement and Support of Education's National Clearing House for Matching Gifts Programs, almost 700 corporations now have some sort of matching gifts program (CASE has a brochure which lists those corporations—see the bibliography).

Some companies match dollar for dollar up to a set figure, while others, notably Exxon with its new three-to-one program, more than match. This type of giving is growing in popularity, both because it is seen as an employee benefit and because it takes the heat off the corporation. As far as recipient agencies are concerned, however, the matching gifts concept is still a very exclusive club.

3. United Way

Although one might argue that this is less a type of gift than a type of recipient, the controversial United Way/Corporate connection must be seen as a process as well as a product. Not only does approximately 50 cents out of every corporate philanthropic dollar go to local United Ways, the amount of time spent by the company's personnel to conduct company campaigns is enormous, as is the ancillary costs of the campaigns, such as payroll deduction costs, accounting, special flyers, posters, rallies, etc. Although the United Way constantly proclaims low fund-raising costs, when you compare the corporate outlay of time, money and facilities to the actual funds received by United Way agencies, United Way's fund raising costs are considerably higher than you may have been led to believe.

Not only is corporate philanthropy the playground of the United Way, the United Way is the playground of corporate executives. In almost every city, it's the big corporate executives who run the United Way campaigns. "When David Packard took over the United Way in Palo Alto, contributions jumped 15 percent," Frank Koch said. When Simon Ramo (he's the R in TRW) headed the Los Angeles campaign, corporate executives all over Southern California were scurrying for cover to avoid his media blitz and personal strong-arm fund raising. Nobody can twist the arm of a corporate executive like another corporate executive.

Unfortunately, many of the corporate people involved with United Way fund raising lack the ethics and professionalism that raising large sums of money requires. In Chicago, for example, there has been an unwritten law that companies who give $30,000 or more to the Crusade of Mercy (Chicago's brand of United Way) will not be "bothered" by member agencies of the Crusade for funds during that year. ("Excuse me, I've just discovered a cure for cancer. Would you support my program to pass this miracle along to the

rest of the world?" "It's a miracle I don't throw you out on your ass. I was told you'd stop pestering me if I gave my fair share.")

Many corporate philanthropists are questioning the United Way, but seldom out in the open. "You give because you are expected to give," Milton Moskowitz said. "If you don't you're going to get killed." Maybe killed is too strong a word (and then again ...) but United Way pressure on a company can be a terrible thing to watch. In turn, company pressure on individual employees can be equally fierce. On a recent local television talk show on corporate philanthropy which invited viewer call-ins, 75 percent of the calls we received asked how to legally deal with company pressures to sign forms authorizing contributions to United Way to be deducted from paychecks.

Corporations may question the United Way, but getting out of the relationship is another matter. Many Los Angeles corporations that made gifts through Associated In-Group Donors (AID), which has been a rival funding source of the United Way for many years, found that their money was being turned away by agencies that also get money from the United Way. These agencies were being forced to turn the funds away because to accept them would jeopardize their continued membership in the United Way. The United Way works hard to remind corporations that their way is the only way. Some corporations go so far as to refuse additional, specific funding to any United Way agency. This is probably one of the dumbest ideas ever perpetrated on philanthropy, but the United Way indulges it.

Of growing concern is the reluctance of most United Ways to accept new agencies. According to David Horton Smith, a Boston College sociology professor and former head of the Association of Voluntary Action Scholars, more than 90 percent of the agencies receiving funds from the United Way have been supported by the United Way for more than 10 years. United Ways in many cities, citing declining support, have refused to accept any new agencies whatsoever. This had led many people to challenge the corporate policy of allowing United Way solicitation within the company while not allowing other agencies and united appeals the same privilege. Most corporate executives, however, resist any change. One corporate executive said, "Just for openers, we have a United Way rally every year. This lasts almost half a day. If we had a dozen drives with a dozen rallies, we wouldn't get much work done."

"Corporations have a lot more to offer in support of charitable organizations than money."

Without corporate support, the United Way would practically disappear. For this reason, whatever corporations may think of the United Way, the pressure to remain part of the "team" will be extreme for years to come.

4. Released staff time /volunteering

In a study done for the Filer Commission, the Conference Board reported that of almost 400 corporate presidents queried, 92 percent said they did philanthropic work on company time, with 25 percent stating they spent five hours or more per week in such activities. Although as noted earlier, a great portion of this time must be attributed to United Way activities, the concept of giving people as well as money has become very attractive to many corporations.

There are three ways corporations provide this people support. The first is a company incentive program based on the IBM Fund for Community Services, where the company will financially support community organizations in which an IBM employee is a volunteer. To get the funds, an employee writes a request that describes the project, the amount requested and the employee's involvement in the project. Ninety percent of all employee requests are approved.

The second is the loaned executive program, such as the Xerox Social Service Leave Program and the IBM Faculty Loan Program. Under such programs, an employee is released to work full time with a nonprofit organization or community group for periods up to one year while receiving full pay from the corporation. For obvious reasons, the number of executives available is limited and competition is stiff. This concept receives a tremendous amount of publicity and more corporations are trying it out, but some corporate people are whispering that some loaned executives never come back and many who do have a hard time catching up with their associates who spent their year trying to move up.

The third way is a corporate-wide volunteer effort focusing all employee volunteer efforts on a particular agency or programmatic area. Again, Xerox leads the way here, with its Community Involvement Program. Many corporations such as Bank of America, GTE Sylvania and Samsonite have been working with professional volunteer coordinating groups, notably the Involvement Corps (see list of resources), to set up corporate-wide volunteer programs. This concept has the obvious advantage of allowing employees to understand and participate in the corporation's philanthropic program while at the same time providing an arena for employees to get together away from the office.

5. Gifts in kind

The 1969 Tax Reform Act put a terrible dent in corporate gifts from inventory, but fortunately the 1976 Tax Reform Act has straightened things out a little. Prior to 1969, corporations were allowed to deduct the market value of a product given to a charitable organization. Pharmaceutical companies found this especially attractive, and many free

clinics, hospitals and international relief programs were kept solvent as a result. The 1969 Tax Reform Act wiped out this advantage overnight, allowing corporations to deduct only the actual manufacturing cost of the product donated. While this did not stop corporations from making gifts from inventory, it did remove the tax advantage, which is the prime mover for corporate philanthropy.

The 1976 Tax Reform Act has put back some of the advantages the 1969 act took away. Now corporations are allowed to deduct gifts from inventory based on the cost of the property plus one-half the appreciated value of the property (the difference between manufacturer's cost and retail cost) or twice the cost, whichever is less. Although this isn't as advantageous as in the pre-1969 days, it is now more attractive for a corporation to donate an inventory item than declare an inventory loss, which was the corporation's other choice under TRA '69. In order for the corporation to take the new deduction, however, the recipient organization must write a letter to the corporation stating that it is a nonprofit tax-exempt organization, that the property will not be re-sold and that the property will be used for the furtherance of the exempt purpose of the organization (actually, the act says "exempt purposes for the care of children or the ill or needy," but this restrictive clause will probably not live through its first court test).

A word of caution on gifts of inventory: many corporations, including Sears, Xerox and Chevron, have strict internal guidelines forbidding donations out of inventory. "Xerox is in the business of selling Xerox machines, not giving them away," said a company spokesperson.

Gifts of inventory barely scratch the in-kind surface. Loaning the corporate facility for meetings, seminars and special events can not only provide some plush surroundings for your meeting, it can save hundreds of dollars that it would have taken to rent similar space at a hotel (or, sad to say, university). Corporations usually buy in large quantity, and thus often get very attractive discounts. See if you can "piggy-back" your purchases through a corporation. Even after reimbursing the corporation, you may save a bundle. Got a brochure that needs to be printed? Ask a corporation to print it as it prints its annual report. You may get a four-color brochure for free. Be creative. "We like to be approached by nonprofits for things like this [printing, group purchase]. It shows us the agency is trying to save money. We understand that," said Deep Pockets. There are a number of other things that one can get from businesses—both large and small. Some ideas are noted on pages 50-51. The key is to be creative.

"It is now more attractive for corporations to donate an inventory item than declare an inventory loss."

6. Program-Related Investments

The idea of program-related investments has been sneaking up on corporations and foundations for some time now, and when it is finally understood and accepted, it could change the face of philanthropy. Simply stated, a program-related investment is a loan or purchase of stocks or bonds in an organization that may be rather high-risk financially but which is working in a program area that is similar to the philanthropic priorities of the corporation or foundation. If the agency pays back the money on schedule, it is considered an investment. If the agency fails, it is considered a grant. The Urban Investment Program was an example of program-related investments, as are the successors to UIP, the Minority Enterprise Small Business Investment Companies. So are New York Big Mac bonds, for that matter. Community redevelopment agencies, economic development agencies, hospitals, schools—all could benefit from program-related investments. Only a handful of corporations are now involved in program-related investments and you may encounter a blank stare from the corporate executive when you suggest it, but as the kindergarten teacher told the class as he discussed the difference between burgundy and bordeaux, "You can't use this information now, but bear it in mind."

CORPORATE PHILANTHROPY AND THE IRS

It seems every article dealing with philanthropy must eventually touch on the IRS. This one is no exception.

The Filer Commission spent a great deal of effort thinking up, and then rejecting, new tax incentives. One group within the commission suggested a 2 percent "philanthropic tax" to be added to the present 48 percent tax ceiling on corporations. This would certainly increase government tax revenue, but it would probably kill corporate philanthropy as corporations would probably feel that their philanthropic duties had been met by the new tax. Another group supported the concept of a "disappearing" tax floor that would allow corporations to take a charitable deduction for their contributions only after they had given a required percentage of net profits, say 2 percent. Later studies indicated this would have a decided negative effect on corporate giving, so it, too, was discarded.

That leaves us with the present law, 42 years old, that allows corporations to deduct for income tax purposes contributions in the amount not to exceed 5 percent of net profits. A bill has been introduced in Congress by Rep. Bill Archer (R-Tx.) that would increase the percentage limitation to 10 percent or 5 percent plus $100,000, whichever is less. ("We put the limit in 'cause liberals were

concerned that large business would take advantage by controlling charities," a source close to the bill said. Conservatives are afraid that charities will be the downfall of corporations; liberals are afraid that corporations will be the downfall of charities. Now I get it.)

I decided to go see Deep Pockets.

Deep Pockets: Well, I think the idea of increasing the limit to 10 percent is a very good one, for two reasons. First, according to the Conference Board studies, there are thousands, maybe as many as 50,000, small companies that give at the 5 percent limit. Although their average annual contributions are small (about $7,000), most of them are located in small communities where almost any increase in philanthropy can be felt. Second, it might get the IRS off the backs of those corporations that give at or near the 5 percent level. You see, it's a funny thing. The IRS almost never audits the contributions of a corporation giving 1 percent or less, but they come swarming all over the "five percenters" looking for something they can disallow.

"The Treasury isn't nuts about corporate philanthropy, you know. Never has been. People write that the 1935 IRS ruling provided an incentive to corporate giving. Actually, it was an attempt to put a cap on it. In effect the government was saying, 'Look, we know you are giving and we'll allow you to continue, but only within limits. Don't make philanthropy a significant part of your activities. Hold it to 5 percent.'

"Canada just upped its limits on charitable giving by corporations to 20 percent, and it had been 10 percent for a long time before that. You don't hear of corporations going broke in Canada because they give away more than 5 percent. As long as the corporation is financially sound and meeting its responsibilities to the consumer and its stockholders, what possible difference could it make to the government if a corporation is giving 2 percent, 5 percent or 20 percent? Ever hear of the C.F. Mueller Company? They're one of the largest spaghetti companies on the coast, and they're owned lock, stock and barrel by New York University. They give away 100 percent of their profits to charity.

"Individuals are allowed to give up to 30 percent of their adjusted *gross* income. If the government thinks that's OK for people, why is it bad for corporations?

"My point is that we should drop all percentage limitations. Let the corporation decide for itself what its best interests are. But, and here's the big but, the government shouldn't allow any contribution unless it is reported, just like the foundations do it. If the corporations claim it costs too much to report all their gifts, let them deduct the cost of reporting."

Whether Deep Pocket's tax reforms will ever be enacted is uncertain, but there is almost no chance that the 10 percent limit will be passed during this session. "The Ways and Means Committee probably won't get around to it until late 1977 or early 1978," a spokesperson for Rep. Archer told me. Archer has not been able to find a co-sponsor for his bill in the Senate.

WHAT'S IN STORE?

Of all the areas of philanthropy, corporate giving is likely to experience the least amount of change in the coming decade. Indeed, there have been few changes during the past decade, as the miniscule fluctuation in giving as a percentage of pre-tax profits indicates (see chart on page 36). Yet there are some trends, both in process and product, that are slowly changing corporate philanthropy.

"The way our company makes up the United Way budget is wetting a finger, putting it in the wind and doing what everybody else does. It's largely a p.r. gesture now."

Illustration by Randy Chewning

The first trend was begun in the early 1970's and is picking up speed. In 1970 the Metropolitan Association of Philanthropy (or the MAP) was begun in St. Louis with some 30 members, 20 of whom were corporate philanthropists. This began the concept of corporate philanthropic coalitions (or corporate philanthropic cartels, depending upon your attitude).

Virtually every major American city now has some form of contributions group that mixes corporations, community foundations and private foundations. Some, like the Donor's Forum in Chicago, are quite structured and have staff, offices and regular meetings. Others, like the Roundtable in San Francisco and the Contributions Group in New York, are more informal, with "brown bag" luncheon meetings. There are similar groups in Minneapolis/St. Paul, Detroit, Cleveland, Boston, Los Angeles and Kansas City.

The consortium idea of philanthropy, which had its day among private foundations and then waned, is very well accepted by corporations. Most corporate executives make their contributions looking over their shoulder anyway, and the first question the man at Kodak is likely to ask is "How much did Xerox give?" This allows the corporate people to ask these questions up front.

On the positive side, the donor groups allow corporations to brush up against foundation staff who might share expertise as well as proposals. Those corporations who don't have any staff devoted to philanthropy can sometimes share staff with other corporations, or more realistically, with other foundations.

On the negative side, listen to Milton Moskowitz, corporation watcher: "They all meet, you know. That's one of the things that goes on in this field. They all get together. This is not an anti-trust violation. You can't get together with your competition to fix your prices, but you can get together in this field to fix what you're going to spend in philanthropy and who's going to get it. And they *do*. They meet regularly in every big city in America that I know of. It's a real cartel."

As for other trends in corporate philanthropy, one of real interest is the increased use of community foundations to act as administrators for some corporate giving programs. The Minneapolis Foundation, for example, now handles the General Service Foundation, although the General Service Corporation is in Chicago. The San Mateo Foundation has been approached by a number of Northern California companies to handle their giving, as have other community foundations across the nation. The local giving pattern of most corporations makes a local community foundation a natural partner, but it is interesting that this role now being urged on community foundations is one that was historically seen as played by the United Way. But many corporations no longer think the United Way is capable of fulfilling this role as a philanthropic partner. Deep Pockets said, "The way our company makes up the United Way budget is wetting our finger, putting it in the wind and doing pretty much what everybody else does. It's largely a p.r. gesture now. The United Way is not the answer to corporate giving."

"Corporations should stop looking for ways to learn if their contributions have a positive effect on their marketing department and spend more time learning if their money is producing good programs."

For all the Filer Commission exhortations, it is unlikely that we will see a dramatic increase in corporate giving. The energy crisis, which President Carter called "the moral equivalent of war" won't have the same positive impact on corporate giving as other wars, primarily because this war will be bad for business. The 2 percent limit that the Filer Commission urges on corporations by 1980 will probably not be reached, but some companies will move up to 2 percent simply because they were urged to do so. The more cynical members of the Filer Commission knew that most percentages for philanthropic budgets are set by looking at what the other guy is doing rather than the company's own objectives. The Filer commissioners hope they will be seen as the other guy.

The most ominous note in corporate philanthropy is a growing need to find something safe and visible in the way of a recipient. Public television is providing just such an opportunity and there is another funding area looming on the horizon that is perhaps the safest of all—sports—such as youth soccer, the U.S. Olympic team, etc.

This doesn't mean that public television and sports are ominous. Yet it does mean that when corporate philanthropic dollars are remaining somewhat constant and funds for public television from corporations go up over 500 percent, there is an ominous conclusion to be drawn for some grant seekers. Even public television, which is basking in corporate favor at the present, should be on the alert. For all the warnings from so many sources that corporations will take over nonprofits, the only evidence I saw of this was in public television. Mobil Oil is taking over Masterpiece Theater. First the company was content to sponsor BBC programs as they came over. Then Mobil went to England and "helped" find programs that were most appropriate. Now Mobil is funding new productions which they control, placing them on British television, then bringing them over to PBS.

Some public television stations, such as KQED in San Francisco, are toying with the idea of offering 60-second spots for institutional advertising in return for a

contribution to the station. The corporate philanthropic minute. It brings forth some beautiful imagined scenes: as the director of philanthropy and advertising is leafing through the new copy of the Standard Rate and Data Service Contributions Book, the director of giving and marketing comes bursting through the door. "I just got a call from KMUD. We can get the opening and closing spots on a program with John Kenneth Galbraith and Beverly Sills singing the new federal budget backed up by the entire crew of Upstairs, Downstairs. What do you think our philanthropic reach would be on that?"

"If they can guarantee us Sunday night opposite Nancy Drew, I think we've got a grant working here. Good job, Bruce."

The story isn't so far-fetched. It merely addresses what so many corporate people say is the biggest problem in corporate charity: convincing the corporations that it is really good for business to give money away. Well, it's not.

Even the staunch opponent of corporate charity, Milton Friedman, who was once quoted as saying it was alright for corporations to support the "madman, the child and the poor" but little else, has said that philanthropy may help overcome the image of the "soulless" corporation. But for corporations that believe their philanthropy is going to win them love and admiration, have they ever looked at how often the Ford Foundation is criticized? Ever sent a love letter to HEW?

You cannot market philanthropy like french fries. Corporations should stop looking for ways to learn if their contributions have a positive effect on their marketing department and spend more time learning if their money is producing good programs.

The only way we are going to effectively cross the "last frontier of philanthropy" is to convince corporations that philanthropy can be judged on it own merit without having to tie on how many Big Macs it sells. A social audit can be just as revealing as any other audit.

Corporate philanthropy still lives in the shadows. Instead of giving the business to corporations, the Filer Commission should have urged the government to put corporations in the spotlight. Joe Louis once said about a fleeter opponent, "He can run, but he can't hide." Let's bring corporate philanthropy out where it can't hide anymore.

Maybe then it will stop running.

ORGANIZATIONS

Business Committee for the Arts, Inc.
1700 Broadway
New York, N.Y. 10019
Just what it says it is. Cajoles corporations to increase giving to the arts. Publishes occasional reports on business participation in arts funding, publishes a newsletter and annually makes awards to selected corporations.

Center for New Corporate Priorities
1516 Westwood Blvd., Suite 202
Los Angeles, Ca. 90024
Monitors banking and lending organizations, primarily on the West Coast, and works to combat redlining.

CASE (Council for Advancement and Support of Education
One Dupont Circle, Suite 530
Washington, D.C. 20036
Among other things, CASE is very involved with corporate matching gifts programs. Publishes annual list of corporations that match gifts to higher education.

Clearinghouse on Corporate Social Responsibility
277 Park Avenue
New York, N.Y. 10017
Mouthpiece of the insurance industry. Publishes *Response*, a bimonthly magazine that always sees the bright side of everything.

The Conference Board
845 Third Avenue
New York, N.Y. 10022
One of the real heavies, with high credibility among corporations. Holds seminars and workshops across the country, publishes hundreds of surveys and reports and is a major influence on corporate social responsibility. Workshops, we should add, are not open to the public. There is also a Conference Board in Canada, 333 River Road, Ottawa, Ontario.

Corporate Action Project
1500 Farragut Street N.W.
Washington, D.C. 20011
Publishes *Corporate Action Guide.*

Corporate Accountability Research Group
1832 M Street N.W.
Washington, D.C. 20036
One of Ralph Nader's many organizations, CARG is now actively pumping for a federal corporate chartering law.

Corporate Volunteer Coordinators Council
250 Broadway, Room 1407
New York, N.Y 10007
Works with corporations, primarily in New York City, which wish to develop an employee volunteer program. See Involvement Corps.

Council for Financial Aid to Education
680 Fifth Avenue
New York, N.Y. 10019
Similar to Business Committee for the Arts, only higher education is their bag. Has a lot of clout with the media and places tons of public service advertisements.

Council on Economic Priorities
84 Fifth Avenue
New York, N.Y. 10011
Publishes a very lively newsletter and many provocative studies on corporate overseas payments, pollution control, etc.

Interfaith Center on Corporate Responsibility
475 Riverside Drive, Room 566
New York, N.Y. 10027
Actively tackles corporations through proxy battles. Publishes the *Corporate Examiner.*

Involvement Corps
1785 Massachusetts Avenue N.W.
Washington, D.C. 20036
Nationwide organization that

matches corporate needs for employee volunteer programs with private sector needs for volunteer help. Agencies interested in using corporate volunteers should contact this organization.

National Information Bureau
419 Park Avenue South
New York, N.Y. 10016
Publishes *Wise Giving Guide*, which rates nonprofit organizations and passes this information along to corporations and anybody else who'll listen. NIB can't help you much, but it can kill you with a bad report.

Public Affairs Council
1200 Sixteenth Street N.W.
Washington, D.C. 20036
Monitors corporate relations, public interest groups and corporate responsibility. Some publications are available to member companies only.

Urban Strategy Center
1615 H Street N.W.
Washington, D.C. 20006
Arm of the Chamber of Commerce. Pro-business to the hilt, the Center publishes occasional case studies on corporate involvement.

BOOKS

Business & The Arts: An Answer to Tomorrow, *by Arnold Gingrich. 141 pages, $4.95. Published by Paul S. Eriksson, Inc., 119 West 57th Street, New York, N.Y. 10019 (1969).*

Corporate Social Responsibility and the Institutional Investor *by Bevis Longstreth and H. David Rosenbloom. 104 pages (out of print). Published by Praeger Publishers, 111 Fourth Avenue, New York, N.Y. 10003 (1973).*

Economic Factors in the Growth of Corporation Giving, *by Ralph L. Nelson. 116 pages, $6.50. Published by the Russell Sage Foundation, 230 Park Avenue, New York, N.Y. 10017 (1970).*

The Handbook of Corporate Social Responsibility: Profiles of Involvement, *compiled and edited by Human Resources Network. 650 pages, $42. Published by Chilton Book Company, Radnor, Pa. (1975).*

Philanthropy and the Business Corporation, *by Marion R. Fremont-Smith. 110 pages, $3.95. Published by the Russell Sage Foundation, 230 Park Avenue, New York, N.Y. 10017 (1972).* Probably the best book for the money on corporate philanthropy.

Standard and Poor's Register of Corporations, Directors and Executives, *Vol. 1 and Vol. 2. Published annually by the Standard and Poor's Corporation, 345 Hudson Street, New York, N.Y. 10014.*

Taming the Giant Corporation *by Ralph Nader, Mark Green and Joel Seligman. 312 pages, $10.95. Published by W.W. Norton & Company, Inc., 500 Fifth Avenue, New York, N.Y. 10036 (1976).*

PAMPHLETS, ARTICLES, REPORTS, ETC.

Bibliography of Corporate Social Responsibility: Programs and Policies. *Vol. 5. 82 pages, $2 (1976). Published by Bank of America, P.O. Box 37000, San Francisco, Ca. 94137.* An absolutely marvelous publication that is easy to read, easy to use and cheap. Basic library stuff.

"Business has a war to win (thinking ahead)" *by J. Irwin Miller,* Harvard Business Review, *March-April 1969.*

Conference Board Publications *(see address above):*

Annual Survey of Corporate Contributions. *27 pages, $15 (1975).*

Corporate Philanthropic Public Service Activities. *61 pages, $15 (1976).*

Social Responsibility and the Smaller Company. *21 pages, $5 (1972).*

"Corporate Philanthropy and the Recession" *by James A. Joseph,* Foundation News, *May/June 1975.*

"The dangers of social responsibility" *by Theodore Levitt,* Harvard Business Review, *September-October, 1958.*

"A Five Per Cent Corporation Reviews Its Contribution Policy" *interview with Carol Berde, administrative director of the Dayton Hudson Foundation,* Foundation News, *September/October 1975.*

"Philanthropy: Still the Corporate Stepchild" *by Frank Koch,* Business and Society Review, *Spring 1973.*

Programming for Corporate Community Support: A Study of Charitable Donations in the Southern California Business Community, *published by the Coro Foundation Southern California Center, Suite 344 Bradbury Building, 304 South Broadway, Los Angeles, Ca. 90013.*

A Report on the $2 Billion Urban Investment Program of the Life Insurance Business *published by the Clearinghouse on Corporate Social Responsibility, 227 Park Avenue, New York, N.Y. 10017.*

"Rethinking Corporate Charity" *by Norman Kurt Barnes,* Fortune, *October 1974.*

2,507 Examples of How BCA Companies Supported the Arts in '76 and '77. *36 pages, free. Published by Business Committee for the Arts, 1700 Broadway, New York, N.Y. 10019.*

Filer Commission Reports:

Corporate Charitable Contributions, *by R. Palmer Baker, Jr. and J. Edward Shillingburg.*

Corporate Giving: Rationale, Issues and Opportunities, *by C. Lowell Harris.*

Corporate Charitable Contributions and Corporate Social Responsibility, *by Milton Moskowitz.*

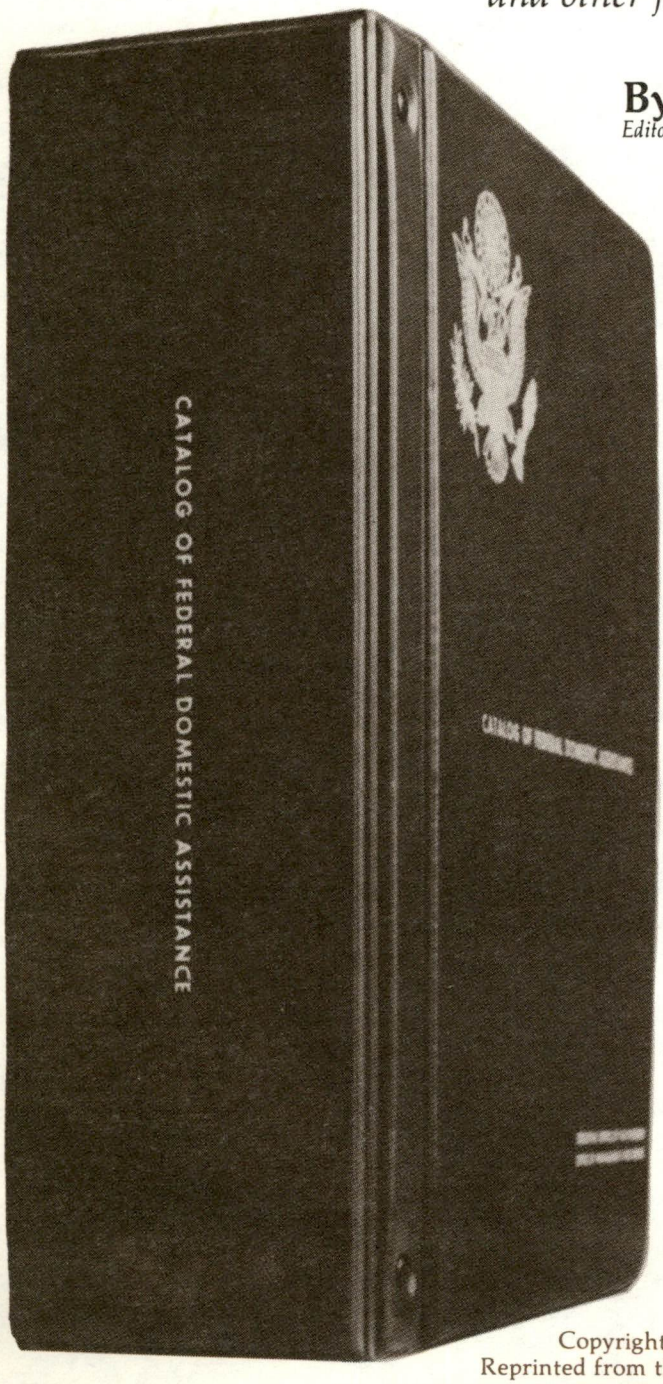
Corporate Giving Measurements, *by Thomas Vasquez.*

Reprints

This article is available as a reprint: 1-10 copies, $1.55 ea.; 11-15 copies, $1.40 ea.; 26-100 copies, $1.25 ea.; 101 copies or more, $1.15 ea. Order from the Grantsmanship Center, 1031 S. Grand Ave., Los Angeles, CA 90015.

THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE

A rather lengthy exposition of facts and information about federal funding that will help you effectively use this 1000-page document to obtain MONEY and other forms of assistance.



By Timothy Saasta
Editor, The Grantsmanship Center News

Leafing through the **Catalog of Federal Domestic Assistance** is an experience similar to a child's fascination with a catalog of toys. You see a new funding program and you dream like the child who sees a new model Big Wheel. So many wonderful things. And all so damnably hard to obtain.

But like the toy catalog, the **Catalog of Federal Domestic Assistance** is intended to make getting whatever you want a little bit easier. And though the Catalog doesn't make obtaining funding as easy as it could, it is an indispensable resource for anyone seeking federal funding.

Unfortunately, many of those who know about the Catalog don't know about its limitations and thus don't use it properly. The Catalog is a beginning, it should be used as a catalyst. The information in it should be analyzed, not merely accepted. One must realize that contrary to popular belief, the Catalog is not comprehensive and complete.

The Catalog is a compilation of inputs submitted by federal agencies themselves, which inevitably means that the information included will vary widely in both accuracy and completeness. Some federal agencies are very good at distributing information about their programs, others are not. And the agency that publishes the Catalog, the Office of Management and Budget (OMB), has the resources to do only a little more than accept whatever information they receive from the agencies (there are four people working full-time on Catalog-related tasks; 10 other OMB employees are used as consultants). The financial information OMB receives is checked by budget examiners within the Office, but their contributions are

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Includes a review of the 1977 Catalog (on p. 15), which incorporates many changes. Reprinted from the Oct.-Dec. 1977 issue.

limited. And since the information must be compiled a few months prior to publication, information is often not current.

OMB doesn t even have the authority to require a federal agency to supply information about their programs. Thus many programs are not included either because of an oversight by an agency's staff or because an agency does not want information about a certain program included in the Catalog. Actually there isn't even legislative authority for production of the Catalog, which means that it could be curtailed whenever OMB decides it isn't important or is too costly. (The first Catalog was put together by the old Office of Economic Opportunity in 1965. OMB took over production in 1971.)

Despite its limitations the Catalog is essential and anyone seeking funds from the federal government needs to know how to use it effectively. And in learning to use it one can learn (indeed, must learn) a great deal about obtaining assistance from the federal government.

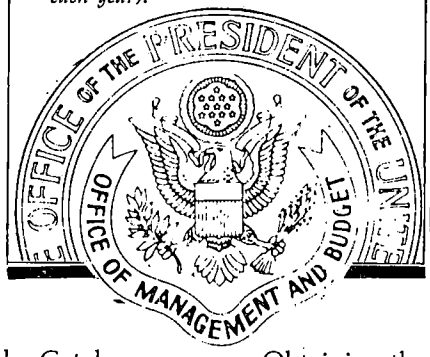
The current edition (1975) lists over 1,000 federal assistance programs, explaining what types o assistance each program provides, the purpose of the program, who is eligible and how one should apply. Even programs such as Supplemental Security Income (welfare), VA home loans, disaster relief payments, Basic Opportunity Grants and Medicaid are included, making the Catalog relevant not only to people seeking funds for a private organization or governmental body but for many individuals — students, home buyers, welfare recipients, etc. (or for those representing them).

Assistance programs described in the Catalog range from direct grants for projects to the provision of expert information. "Assistance" does not necessarily mean financial assistance — only about 550 of the 975 programs listed in the 1974 Catalog provided financial assistance. The factor determining if a program is included is whether or not one must apply for assistance under the program. If so, it is included. Thus one of the few programs not in the Catalog is revenue sharing, since recipients (state and local governments) do not have to apply — they receive predetermined payments automatically.

What You Can Find in the Catalog

- **Grants, loans, loan guarantees scholarships, mortgage loans, and insurance** or other types of financial assistance.
- **Assistance** in the form or provision of Federal property, facilities, equipment goods or services, including the donation of surplus real and personal property.
- **Technical assistance,** counseling and training.
- **Statistical** and other expert information.
- **Service activities** of regulatory agencies.

This review analyzes the 1975 Catalog. The Catalog for FY 1978 incorporated some significant changes, which are noted in the article on page 15. Also, legislation passed in the fall of 1977 calls for a computerized system for distributing information on just progress in additon to the Catalog. See issue 24 of the NEWS for more on this. Superintendent of Documents, Government Printing Office, Washington, D.C. 20402 ($16 for 1977 editon; price changes each year).



The Catalog is published annually. The past three editions (the latest is the ninth edition) have been published in June, at the beginning of the fiscal year. The 1976 edition will probably be released in October since beginning next year the fiscal year will begin in that month. However, OMB has not made a final decision concerning the publishing date for that edition.

In the past, however, the date of publication has had little to do with the date one can expect to receive the Catalog because of distribution problems. September has been the Grantsmanship Center's experience.

Delaying receipt of the Catalog and making it more difficult to obtain has been the decision by the Superintendent of Documents to curtail sales of the Catalog in federal bookstores. Now you must order it directly from Washington (Assistant Public Printer, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402). If you know someone in Washington, or work with an organization based there, you should have them buy the book for you at the Government Printing Office and send it to you.

Ideally the Catalog should be sold not only in federal bookstores but in all major bookstores since many people who should know about the Catalog do not. The Catalog is no longer sold in federal bookstores because GPO has decided not to sell any "subscription services" at federal bookstores. (The Catalog is considered a "subscription service" since you are automatically mailed a supplement if you buy the Catalog.)

Obtaining the Catalog has also been complicated by its rapidly increasing price. Two years ago the Catalog cost $7. The FY 1976 edition is $17. (The price includes one supplement to the Catalog, which is published around November.) If this is too expensive for you, many libraries have the Catalog, and if you are not constantly involved with government programs and/or if your interests are confined to a few programs (which can be easily xeroxed), you can avoid the annual investment. In the past you could buy a binder along with the Catalog for an additional $2.50, but those binders are no longer sold. You should buy a large one from a stationery store.

FINDING PROGRAMS THAT MEET YOUR NEEDS

ORGANIZATION OF THE CATALOG

1. **Introductory Material**
2. **Indices** *(Agency, Individual, State, Local, Functional, Popular Name, Subject)*
3. **Program Changes** *(programs deleted, programs added, programs changed)*
4. **Program Descriptions** *(The body of the Catalog, arranged according to program number.)*
5. **Appendices**

One page at the beginning of the Catalog attempts to explain how to use it. You should look at it, but it is not an adequate explanation. Since the Catalog is or should be read by nearly everyone involved with federal funding, including many neophytes, it would be an ideal place to include an explanation of some basic facts about federal grantsmanship.

The Indices

Most of the pages preceding the program descriptions are taken up by seven indices (see box outlining the organization of the Catalog). Each one has a specific function and you should be familiar with all of them to use the Catalog effectively.

The first is the **Agency Program Index,** which classifies every program in the Catalog according to the Department and agency that administers it. You should use it when you know which agency administers a program you are interested in. It is also useful when you want to find out about the programs a particular agency has.

As you look through the Agency Index you will notice that every program has a five-digit number. The first two numbers refer to the department or commission that is ultimately responsible for the program. Thus all Department of Health Education and Welfare programs begin with the number 13. The third digit indicates the office or agency administering the program. Programs are listed in numerical order beginning with program 10.001. Thus if you are looking for program 68.001 you would look toward the back of the Catalog.

The **Functional Index** is quite useful. All programs in the Catalog have been divided into 18 categories such as

OLD AGE ASSISTANCE

13.609 Special Programs for the Aging
13.714 Medical Assistance Program
13.754 Public Assistance-Social Services
13.761 Public Assistance-Maintenance Assistance (State Aid)
13.766 Public Assistance Research
13.800 Medicare-Hospital Insurance
13.801 Medicare-Supplementary Medical Insurance
13.803 Social Security-Retirement Insurance
13.804 Social Security-Special Benefits for Persons Age Over
13.807 Supplemental Security Income
14.138 Mortgage Insurance-Rental Housing for the Elder
[illegible] Community Service Employment Program
[illegible] Opportunities and Services
[illegible] Workers

Functional Index

"Community Development," "Education," "Health," "Housing" and "Information and Statistics." These categories are then further divided into 117 subcategories. Programs listed under a particular functional category may be administered by different agencies. There is an outline of the functional categories and subcategories preceding the Functional Index. You should look at it to familiarize yourself with the way OMB has classified programs.

The Functional Index is most useful if you are interested in identifying the general nature of assistance available in a broad program area.

The Functional Index is preceded by three **Applicant Eligibility Indices** which are organized into the same 117 functional categories. They list programs for which a particular type of applicant is eligible — state governments, local governments or individuals. Thus an artist looking for a grant should use the **Individual Applicant Eligibility Index** and look under the subcategory of "Arts." The eight programs listed there all give grants to individual artists. (There needs to be a fourth Applicant Eligibility Index which lists programs for which private nonprofit organizations are eligible.)

The most important index is the **Subject Index,** which provides a detailed listing of specific types of

[illegible] technology [illegible]
Age and personal data, census [illegible],17.300
Age discrimination in employment,17.300
Aging and the aged
areawide model projects,13.609
evaluation of programs,13.609
foster grandparents,72.001
health insurance, supplementary (Medicare),13.801
hospital insurance(Medicare),13.800
medical assistance (Medicaid),13.714
old-age assistance,13.761
older persons opportunities and services, 49.010
[illegible] 72,13.804
[illegible] ordination of services,13.609
[illegible] FHA,14.138

Subject Index

assistance by topics, categories of services, beneficiaries, etc. Like any index, the key to using it effectively is knowing the various categories that might relate to your interests. It is a good idea to look through the subject index item by item at least once, as you can

often come up with some unexpected sources of support for your program. Another reason to go through it closely is that it is by no means perfect. For instance, under the heading "Nutrition," the multimillion dollar nutrition program of the Administration on Aging is not noted.

There is also a **Popular Name Index,** which lists programs alphabetically according to the name most often used in reference to the program. Thus if you see a reference in a newsletter to the "Section 504 Housing Loans" program and you want to find out more about it you can look in the Popular Name Index under "Section 504 Housing Loans" and you will find the program number. Like all of the indices this one is useful but not complete. For instance, the Comprehensive Employment and Training Act is commonly known as CETA, but it is not listed that way in the index.

Use several of the indices when looking for programs and go to the description of every program that looks at all relevant. Look at the "Objectives" section of the program description, the "Uses and Use Restrictions" section and the "Program Accomplishments" section. Within one or several of those sections you should be able to determine what the program actually funds (and what it might fund) and thus you can determine its actual relevance to your programs.

Also, when you find a program that seems interesting, examine the other programs that the agency administering that program has.

Lists of Changes

Located after all seven indices and before the program descriptions are three short sections that list changes from the previous catalog: programs that have been deleted; programs added; and programs that have been changed in some way. These sections are especially useful to someone who has used the Catalog extensively in the past. If you already have found and researched all federal programs relevant to you or your organization, you can go directly to these sections when you receive a new Catalog. Check to see if there have been changes made in those programs that you are involved with or interested in and if so, go to the program description to find out what the changes are. Check the list of programs added to see if there is a new program that may be a potential source of assistance. Finally, check the programs deleted section to see if a program that you were interested in may have gone out of existence.

One way to effectively use the Catalog is to go through it entirely once, looking at every program description. Extract each description of a program that may be of possible interest. Assemble these program descriptions in a binder to create your own mini-Catalog. The process will be educational and rewarding, as you may find programs that will provide support for your organization in agencies that seem far removed from your program area. Having your personal mini-Catalog also makes using the Catalog in the future a less formidable task. If you don't remove the descriptions of programs relevant to you, at least keep a list of those programs. That list should note each program's number, title and page reference

ANALYZING THE PROGRAM DESCRIPTION

Once you have determined which programs are of potential interest find the description of each program in the Catalog. Information about each program is divided into several categories (e.g., "Objectives" or "Assistance Considerations"). There is a brief explanation of each category near the beginning of the catalog.

We will comment on the meaning of each piece of information, how to use it and in what ways the information provided is often limited (and how you can overcome the limitations). We will be analyzing one program description — "Special Programs for the Aging" (see box on facing page). Where each information category is discussed we have reprinted the information given in the "Special Programs for the Aging" example so that you won't have to refer back to it constantly.

Federal Agency

FEDERAL AGENCY: OFFICE OF THE SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

This section merely tells you what department and what *general* subdivision of the department is responsible for the program. In a department with as many divisions as HEW this information is of limited value. In the example, we see that "Special Programs for the Aging" is within the domain of the Office of the Secretary of HEW (as distinguished from the Education Division, the Public Health Service and the Social and Rehabilitation Service). But to determine who is actually running the program (the Administration on Aging) you must look at the "Headquarters Office" section which is in turn under "Information Contacts."

The only way to understand the organizational structure of such a large department, and thus to understand who is responsible for a program, is to have handy a copy of the **U.S. Government Manual** and the **Congressional Directory.** (Order from Superintendent of Documents; Manual is $6.50, the Directory $6.40)

Authorization

AUTHORIZATION: Older Americans Act of 1965, Public Law 89-73, as amended by Public Laws 90-42, 91-69, 92-258, 93-29, and 93-351.

This section tells you what laws authorized the program, which can help explain the background and general purpose of the program. Quotes from the legislation can add to the credibility of your proposal.

If the law has been amended recently, as in our example, the program may be in the process of changing, which could mean that new areas will be funded. This could be advantageous for you since it is often difficult for an organization that hasn't been previously funded by an established program to receive a grant.

Look up the new law and find out its implications for the program. If the law is recent, regulations may be published in the Federal Register soon, or they may have been published and not noted in the description in the Catalog. You can discern the year that a law was passed by looking at its number. The first two digits indicate the number of Congress. At the beginning of

SAMPLE PROGRAM DESCRIPTION

13.609 SPECIAL PROGRAMS FOR THE AGING

(Aging Programs)

FEDERAL AGENCY: OFFICE OF THE SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUTHORIZATION: Older Americans Act of 1965, Public Law 89-73, as amended by Public Laws 90-42, 91-69, 92-258, 93-29, and 93-351.

OBJECTIVES: To provide assistance to states and area organizations for support of programs for older persons via Statewide planning, area planning and social services, model projects, research and development, manpower programs, and a national nutrition program.

TYPES OF ASSISTANCE: Formula Grants; Project Grants.

USES AND USE RESTRICTIONS: Funds must be used for the benefit of older persons. For example, establishing and maintaining Area Agencies on Aging; planning and coordinating special programs for the aging; training of personnel to work on behalf of the elderly; demonstration of successful research programs; and model projects for the aging in high priority areas of States; and nutrition projects.

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: All states and territories with approved State Plans for formula grants; public or private agencies for projects.

Beneficiary Eligibility: Older persons, especially low income and minority older persons.

Credentials/Documentation: A State Plan, coordinated with the Governor's office, is required under Part III of OMB Circular No. A-95 (revised). Cost will be determined in accordance with General Services Administration FMC 74-4.

APPLICATION AND AWARD PROCESS:

Preapplication Coordination: New applicants will usually confer with central and/or Regional Office staff on specific problems and proper preparation of State Plans or project applications. Applicant must notify State and Regional/Metropolitan clearinghouses under OMB Circular No. A-95 Part I (revised). The Standard application Form 608T as furnished by the Federal agency and required by General Services Administration 74-7 must be used for this program in applying for project grants.

Application Procedure: For formula grants, State Plans are required to be submitted by the State governor on a prescribed State plan format. Application forms for project grants are available from State agencies or Regional Offices.

Award Procedure: Notification of award must be made to the designated State Central Information Reception Agency and to the Department of the Treasury on SF 240.

Deadlines: For formula grants, as prescribed by Federal regulations.

Range of Approval/Disapproval Time: 30 to 90 days.

Appeals: Through prescribed appeal procedures which are provided if a State Plan or application is disapproved.

Renewals: State plans are submitted annually.

ASSISTANCE CONSIDERATIONS:

Formula and Matching Requirements: Programs are funded on a Federal/State matching basis as follows; State Agency Administration, 75-25; Area Planning, 75-25; Social Services under Area Plans, 90-10; Social Services in Areas without Approved Area Plans, 75-25; Nutrition 90-10; Model Projects, none.

Length and Time Phasing of Assistance: Funds are awarded annually for formula grants and for project grants.

POST ASSISTANCE REQUIREMENTS:

Reports: Financial status report submitted quarterly on Form 601T. Program performance reports are required quarterly.

Audits: Subject to audit by HEW audit agency.

Records: Records must be maintained for 3 years.

FINANCIAL INFORMATION:

Account Identification: 09-80-0136-0-1-999.

Obligations: (Grants) FY 74 $322,636,000; FY 75 $245,500,000; and FY 76 est $203,100,000.

Range and Average of Financial Assistance: Area Planning and Social Services $206,250 to $7,296,157; $1,473,214; State Planning: $50,000 to $1,190,087; $267,857; Nutrition: $309,375 to $11,234,678; $2,209,821; Model Projects: $10,000 to $642,839; $160,714.

PROGRAM ACCOMPLISHMENTS: Statewide Planning: During fiscal year 1975, States completed extensive needs analyses and designated 610 Planning and Service Areas. The leadership role of State agencies for the restructured Title III and the new Title VII programs was initiated in fiscal year 1974 for the 412 new area agencies and 665 New Nutrition Projects that have been established under the First Annual State plans. In fiscal year 1975 the management capability of these agencies was developed and strengthened. Area Planning and Social Services: During fiscal year 1975 states continued the 412 Area Agencies on Aging in the 610 Planning and Service Areas. Special emphasis was placed on the coordination of existing programs and the pooling of untapped resources. 307 Community Project Grants were made in areas without approved Area plans. Information and referral and outreach services were also given high priority. Services supported on behalf of older persons included: transportation, escort, counseling, health screening, homemaker, home health, homemaker-home health, aide, chore services, friendly visiting, telephone reassurance, protective services, continuing education, legal services, welfare services, nutrition services, employment services and others. Model Projects: In fiscal year 1974, 60 Model Project Grants are being funded in areas of housing, continuing and pre-retirement education, services to assist the physically and mentally impaired. Legal and para-legal services, ombudsman services, and disaster relief and services. Nutrition Program: During fiscal year 1975, 665 Nutrition projects serving over 220,000 meals five days a week were established.

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 903 and the "Manual of Policies and Procedures for Title III of the Older Americans Act of 1965," as amended. 45 CFR 909-Nutrition Program for the Elderly "Manual of Policies and Procedures for the National Nutrition Program for the Elderly."

INFORMATION CONTACTS:

Regional or Local Office: Directors, office of Aging, Administration on Aging, Office of Human Development, Office of the Secretary, Department of Health, Education, and Welfare, Regional Offices (see appendix)

Headquarters Office: Commissioner, Administration on Aging, Office of Human Development, Department of Health, Education, and Welfare, Washington, DC 20201. Telephone: (202) 245-0724.

RELATED PROGRAMS: 17.207, Employment Service; 17.223, Operation Mainstream; 72.001, The Foster Grandparents Program; 72.002, Retired Senior Volunteer Program.

1975 the 94th Congress began, thus in the example 93-29 and 93-359 are fairly recent amendments. The numbers after the hyphen indicate the relative time when the law was passed within the two-year period of one Congress, thus the higher the number the more recent the law.

Keep in mind what was said earlier — information in the Catalog is often not current. Thus recent laws that have changed a program often aren't reflected in the Catalog and the program description is not applicable. An example is the "Public Assistance-Social Services" program (13.754). A drastic change was made in this program with the passage of a law just as the 93rd Congress ended. But though that law was signed six months before the publication date of the Catalog, there is no reference to it in the description of the program and thus that description is practically meaningless. Similarly, a much more recent law has changed many aspects of the "Special Programs for the Aging" example.

Objectives

OBJECTIVES: To provide assistance to states and area organizations for support of programs for older persons via Statewide planning, area planning and social services, model projects, research and development, manpower programs, and a national nutrition program.

This section is supposed to indicate the specific objectives of the program, and you should determine if those objectives fit your needs and are similar to your organization's objectives. Unfortunately, the objectives statement is often inadequate and you will usually need to get more information about the program to actually determine what they are.

In the example, the statement of objectives is actually a list of the types of projects that are funded by the program, along with a typically vague statement of objectives. In essence it says that the objective is "to provide assistance for support of programs for older persons," which is about the equivalent of a proposal which suggests that the objective of the project is "to help older people."

One problem with our example is that the Administration on Aging has chosen to include all of its various programs under one program description. In reality there are several different programs, administered by different divisions within the agency. Each program should have its own set of objectives, its particular requirements, etc., but because they are all listed together it is impossible to determine much about each program. While this agency is unusual in that *all* of its programs are included under one entry, most programs in the Catalog have several components and thus you must closely analyze the objectives section and other parts of the program description to determine what will be funded.

Determining the specific objectives of a program is vital, so if you can't discern them from the Catalog you need to be sure to extract the objectives from other sources of information about the program.

Determining the objective not only can tell you whether or not a program might be a resource for you, it can and should guide your development of a proposal to the program. If you determine that the objective of a program is to improve the Spanish-speaking ability of Eskimos, your statement of objectives better indicate that your project is intended to improve the Spanish-speaking ability of Eskimos.

Types of Assistance

TYPES OF ASSISTANCE: Formula Grants; Project Grants.

A description of each of the 16 types of assistance is included toward the beginning of the Catalog. You should familiarize yourself with the various kinds of assistance available. Your primary interest will probably be project grants, which involve money directly awarded to an organization for a particular project. Formula grants, another common form of assistance, are grants to states or their political subdivisions which are based on a formula prescribed in the authorizing legislation. A nonprofit private organization cannot receive formula grants directly, i.e., from the federal agency. But merely because a program only makes formula grants, don't immediately discard it as a possibility. Many such programs allow nonprofit private organizations to receive funding from the state or local public agency which receives the formula grant. This will be discussed further under the "Eligibility Requirements" section.

Don't overlook technical assistance. Such programs can be both of immediate value to your organization and of long-range value, particularly if the agency administering the program has financial assistance programs as well. This is because receiving technical assistance can help you establish contacts with the federal agency and gain visibility for your organization.

Uses & Use Restrictions

USES AND USE RESTRICTIONS: Funds must be used for the benefit of older persons. For example, establishing and maintaining Area Agencies on Aging; planning and coordinating special programs for the aging; training of personnel to work on behalf of the elderly; demonstration of successful research programs; and model projects for the aging in high priority areas of States; and nutrition projects.

This section indicates what assistance can and cannot be used for. As mentioned earlier, this is one of three sections that can provide information about the specific types of projects that will be funded by the program. In the example, there is a list of the projects that have been funded in the past, which gives you a good idea about what will be funded in the future.

Eligibility Requirements

ELIGIBILITY REQUIREMENTS:

Applicant Eligibility: All states and territories with approved State Plans for formula grants; public or private agencies for projects.

Beneficiary Eligibility: Older persons, especially low income and minority older persons.

Credentials/Documentation: A State Plan, coordinated with the Governor's office, is required under Part III of OMB Circular No. A-95 (revised). Cost will be determined in accordance with General Services Administration FMC 74-4.

THE MIDAS TOUCH

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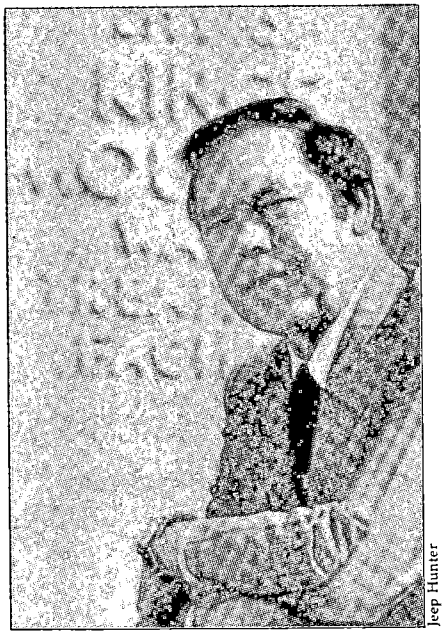
The art of grant-getting is no big secret says a small town mayor who has raised nearly $16 million in federal grants - or nearly $2,000 for every man, woman and child in his town. Many people "don't realize the programs are available," says Mayor John Henry Moss. "It's just a search-and-find process." And his primary search tool is the Catalog of Federal Domestic Assistance "There's no substitute for taking this book home and going into a corner and just reading."

Down around Kings Mountain, N.C., Mayor John Henry Moss is known as the man with the golden touch — and no wonder. Moss's knack for taking a federal grant application and turning it into millions of dollars for his small town of 9,000 has confounded his fellow mayors in the Piedmont area of North Carolina and made Moss, a onetime minor-league baseball general manager and public relations man, a local legend.

The gleaming results of Moss's Midas touch are everywhere in the farming and mining community. For starters, there are the new 31,000-square-foot community center, a multimillion-dollar water project that includes a 1,500 acre lake, and a new waste-treatment plant. There are also a $1,750,000 grant for developing Kings Mountain's seven-square block downtown business district and $2.8 million more in urban-renewal grants. Last month, Moss hauled in the town's largest chunk of federal aid to date, a whopping $4,160,000 earmarked for 13 projects ranging from urban beautification to child-care programs and aid for the aged and handicapped.

In all, since 1965, when John Henry Moss was first elected mayor, Kings Mountain has received more than $16 million in federal money — or nearly $2,000



Jeep Hunter

for each man, woman and child in town. "I don't want to sound cocky," says Moss, a well-groomed man of 51, "but very few communities of our size can talk about these kinds of facilities because they just don't have them."

Moss, who was born and raised in Kings Mountain, went off to join the Army in 1942. After a brief postwar career as a minor league second baseman and a longer stretch as an executive in the Detroit Tigers chain, he returned in 1960 to find a town on the way down. He quickly turned to federal agencies in Washington for help. As Moss tells it, the art of grant-getting is no big secret. "A lot of mayors," he says, "just don't realize the programs are available. It's just a search-and-find process. It requires a lot of burning of the midnight oil and a lot of weekend reading."

What Moss reads so diligently — as much as 10 hours a week — is a thick book called the **Catalog of Federal Domestic Assistance**, filled with information about government grant programs. Moss wades through the tiny print and laborious language as if it were some racy best seller, underlining key passages in his own red and yellow pencil code. "There's no substitute for taking this book home and going into a corner and just reading," he says.

Moss never uses high-priced outside consultants in selecting grant programs, as many larger cities do. He initiates all the grants, filling out the lengthy applications himself, then sets up various citizen committees for the follow-through work. Most of the grant programs require citizen participation and Moss has appointed 235 Kings Mountain residents to 14 committees ranging from the Mayor's Housing Committee to the Clean-Up, Paint-Up, Fix-Up Committee.

Moss, a Democrat, is a liberal politician by North Carolina standards. He has avoided criticism of racial favoritism by spreading the grant benefits so that black Kings Mountain residents have shared in the prosperity, too. "It used to be rough here, but there's been a lot of changes made," says Andrew Brown, a black, 29-year-old textile worker who is chairman of the mayor's biracial Youths for Progress group. "When I was growing up, most of the kids would leave town after high school because there was nothing for them to do."

Now there is plenty of opportunity for Kings Mountain's young people. The expansion of Kings Mountain's water-producing capacity has been a big boom to the town's industrial base, luring 20 new industries and 25 commercial and retail businesses into town with a potential for 2,500 new jobs.

Not surprisingly, Kings Mountain's political hopefuls find John Henry Moss a tough man to beat at the polls. Usually he runs without opposition, but this year, three upstarts had the temerity to challenge him. In the election held early last month, the three had to settle for 12 percent of the vote among them.

This section explains who can receive assistance under the program ("Applicant Eligibility") and who can receive benefits provided by that assistance ("Beneficiary Eligibility"). If your organization is private and this section indicates that only state and/or local governments are funded by this assistance program, don't assume that the program is not relevant to your organization.

For some programs, private organizations are eligible for grants even though the applicant eligibility section indicates they are not. This applies particularly to the increasing number of programs with a "new federalism" structure, i.e., programs that transfer the authority to make most funding decisions to the state or local level. A good example is the "Public Assistance-Social Services" program (13-754), which provides services for recipients of public assistance and other low income people. The program description indicates that only state governments are eligible for grants. However, private agencies and local governmental agencies have been eligible since 1967 to receive assistance under the program by applying to the state agency that receives the federal grant.

The "Special Programs for the Aging" is also a good example of the need to closely analyze this section. It indicates that private agencies are eligible for *project* grants, which you can assume are awarded by the federal agency itself (or its regional offices). But the "Applicant Eligibility" section states that only states and territories are eligible for the *formula* grants. However, private organizations can receive formula grant funds by applying to area agencies, which in turn have been funded by the state agency that received the formula grant. It is obviously not easy to determine how the money flows in a program such as this, but it is vital to learn since formula grant programs usually involve the largest amounts of money.

How can you determine which activities are funded by project grants and which are funded by formula grants? Generally, research and model or innovative projects will be funded by the federal agency with project grant funds. The provision of services, planning, manpower programs and other such activities are funded on the state or area level with formula grant funds. Sometimes you can make some of these distinctions by looking at the "Program Accomplishments" section. For example, a sentence in this section reads ". . . 665 new nutrition projects . . . have been established under the first annual state plans," which would seem to indicate that if you are interested in getting funding for a nutrition program you must go to a state or area agency as opposed to the federal agency.

However, there is a limit to what you can determine about a program from its description in the Catalog and you need to obtain other sources of information. If you determine that funds go to the state, you certainly should find out which state agency administers the funds. Call that agency and ask whether a private organization can receive funding under the program and, if so, what the process for obtaining funding is. The legislation authorizing an assistance program will often allow a private nonprofit organization to receive funding, but in reality private organizations are not funded. You can only learn that reality by asking people associated with the program.

One further point about eligibility: a private nonprofit or for-profit organization can often get funds from a particular program even if it is not eligible by subcontracting with an agency that is eligible. For example, a for-profit research organization wanted to get funds to develop bilingual education materials. They worked with a local school district which applied for and received the funding for the project and then subcontracted with the private research organization.

The "Credentials/Documentation" subsection states what the applicant will have to prove or certify. The "Special Programs for the Aging" example indicates that, as for most financial assistance programs in the Catalog, program costs must be determined and will be evaluated in accordance with Federal Management Circular 74-4 (this circular is described in an article in issue 13 of the NEWS). Obviously you need to get a copy of this circular before you submit an application. Legally this circular applies only to state and local government recipients, but most federal agencies apply its cost principles to all assistance agreements made under a program.

It is also stated that states must develop a State Plan in order to receive formula grant funds under the program. Plans must specify a state's priorities and indicate how the funds will be used. Plans are supposed to be available for public inspection and you should try to see it. It can tell you what is actually being funded in your state. To obtain funding under some programs you need to impact the annual process of developing this plan so that your organization or service activity is written into the plan. This obviously requires a great deal of sophistication about the program.

Often the "Credentials/Documentation" section will specify points that you must include in your proposal. The entry for "Economic Development-Public Works Impact Projects" (11.304) is a good example: "**Credentials/Documentation:** *Description of proposed facility, estimated costs, extent of proposed project, direct job impact, time for construction implementation, and assurance that the project will satisfy statutory requirements. Most important, documentation must demonstrate how the project will have a positive impact on the economic development process in the community.*"

Application & Award Process

APPLICATION AND AWARD PROCESS:

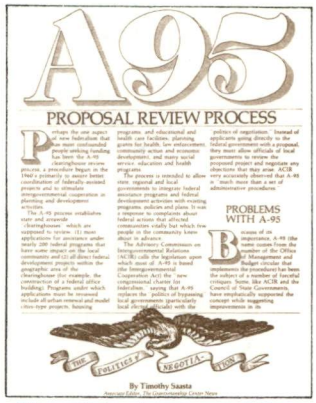
Preapplication Coordination: New applicants will usually confer with central and/or Regional Office staff on specific problems and proper preparation of State Plans or project applications. Applicant must notify State and Regional/Metropolitan clearinghouses under OMB Circular No. A-95 Part I (revised). The Standard application Form 608T as furnished by the Federal agency and required by General Services Administration 74-7 must be used for this program in applying for project grants.

Application Procedure: For formula grants, State Plans are required to be submitted by the State governor on a prescribed State plan format. Application forms for project grants are available from State agencies or Regional Offices.

Award Procedure: Notification of award must be made to the designated State Central Information Reception Agency and to the Department of the Treasury on SF 240.
Deadlines: For formula grants, as prescribed by Federal regulations.
Range of Approval/Disapproval Time: 30 to 90 days.
Appeals: Through prescribed appeal procedures which are provided if a State Plan or application is disapproved.
Renewals: State plans are submitted annually.

The most critical part of this section is "Preapplication Coordination." In the example it is stated that applicants should confer with agency staff before submitting applications, a fairly common requirement and usually a good thing to do. However, most such requirements are written with little specificity (the example being a good illustration of this lack of specificity) which means you need to find out how much preapplication coordination actually occurs. In a few situations preapplication coordination must occur by law. These situations involve grants to state or local governments that exceed $100,000 or are for a construction project. If such coordination is required you need to plan well in advance since any eventual assistance will usually come a long time after your initial request. (Advance planning is necessary for just about every federal program because of the time involved in processing a grant application.)

The most important piece of information in the "Preapplication Coordination" section is whether or not applications must be submitted for A-95 Clearinghouse review. If so (as in the example), you must submit your application to both the areawide clearinghouse for your area and the state clearinghouse. The A-95 process mandates a review at both the state and local levels of all proposals submitted under a certain assistance program. Local and state government agencies who would in some way be affected by the project comment on each proposal and their comments are supposed to be submitted to the federal agency along with the proposal. (The A-95 process is discussed in an article in issue 13 of the NEWS.)


A95
PROPOSAL REVIEW PROCESS
PROBLEMS WITH A-95
By Timothy Saasta

This article from issue 13 is available as a reprint from the Grantsmanship Center.

If the program you are interested in requires A-95 review, plan for the extra time that is usually required by the process and anticipate the reaction local and state officials might have to your project proposal. If local governmental officials have an antipathy towards your organization, this process may create problems. (Note: OMB has published in January 1976 in the **Federal Register** an expanded list of programs that will be subject to A-95 review.)

Most programs require that the standard application forms found in Federal Management Circular 74-7 be used, as does the example. Standard application forms are required only of assistance programs for state and local governments, but if they are required for one type of applicant an agency often imposes the same requirement on all applicants. A new cover application form that will be used for all programs and all types of applicants has been developed by OMB and will soon be used.

Under the subcategory "Award Procedure," the requirement that "notification of award must be made to the designated State Central Information Reception Agency" must be fulfilled by the federal agency, not the applicant. Often this section will describe how an award decision will be made or what agency or office will make the award — if the regional office makes the award it is the regional office that you must approach. This section may also state how assistance will be provided (e.g., letter of credit).

The "Deadlines" subsection is important, but the information provided is often not adequate. Our example is a good illustration. Stating that the deadlines for formula grants is "as prescribed by federal regulations" is not very edifying. Not even that much is said about deadlines for project grants.

Many deadlines listed in the Catalog are for fiscal year 1975, which is not too useful considering we are now in fiscal 1976 (for instance see programs 13.433, 13.548, 13.549, 14.702 and 14.218). One can project that the deadline for FY '76 would be approximately the same time of year, but you can't be sure. You need to get a copy of the guidelines for the program or contact the agency to get current information about deadlines. The **Federal Register** is also a source of information about upcoming deadlines.

If you are involved with a number of federal programs you should make a list of deadlines so that you don't overlook them and so that you can plan (for most programs with set deadlines, funds won't be awarded until well after the deadline).

It is usually a good idea to submit applications well before the deadline date as some agencies consider proposals as they come in and thus it is good to have your proposal among the first. Also, you will have less chance of being eliminated by the Postal Service. We know of one federal agency that now requires applications to be postmarked five days **before** the deadline because of problems with the mail.

If you finish a proposal well before a deadline it may be wise however **not** to submit it immediately. Put it aside for a few days and then analyze it. You should be able to sharpen up your wording and your ideas. Also, have others react to the proposal and make suggestions. Such a review process can help your proposal (or anything you write) immensely.

Assistance Considerations

ASSISTANCE CONSIDERATIONS:
Formula and Matching Requirements: Programs are funded on a Federal/State matching basis as follows; State Agency Administration, 75-25; Area Planning, 75-25; Social Services under Area Plans, 90-10; Social Services in Areas without Approved Area Plans, 75-25; Nutrition 90-10; Model Projects, none.
Length and Time Phasing of Assistance: Funds are awarded annually for formula grants and for project grants.

Must you or someone beside the federal agency provide a share of the total cost of the program? In the

example, federal funds for the administration of the state agency and for the planning activities of area agencies must be matched by a 25 percent state contribution. Federal funds for the direct provision of services must be matched by only a 10 percent state contribution. Usually, matching shares can consist of cash and/or in-kind contributions (space, equipment, volunteer time, etc.). A private nonprofit organization can usually meet a matching requirement with funds from other sources — local government, foundations, etc. Various Federal Management Circulars discuss aspects of cost sharing (73-3, 74-7 and the new Uniform Administrative Standards). The federal government requires at least nominal cost sharing on nearly all research projects that are funded (see FMC 73-3).

Post Assistance Requirements

POST ASSISTANCE REQUIREMENTS:
Reports: Financial status report submitted quarterly on Form 601T. Program performance reports are required quarterly.
Audits: Subject to audit by HEW audit agency.

You need to realize that accounting requirements for federal funds are usually quite strict. Be sure before applying that your organization is ready to meet the requirements. Federal Management Circular 73-2 explains audit procedures of the federal government that are used for most programs. Reporting requirements and reporting forms are included in FMC 74-7 (see article on FMCs in issue 13 of the NEWS).

Financial Information

FINANCIAL INFORMATION:
Account Identification: 09-80-0136-0-1-999.
Obligations: (Grants) FY 74 $322,636,000; FY 75 $245,500,000; and FY 76 est $203,100,000.
Range and Average of Financial Assistance: Area Planning and Social Services $206,250 to $7,296,157; $1,473,214; State Planning: $50,000 to $1,190,087; $267,857; Nutrition: $309,375 to $11,234,678; $2,209,821; Model Projects: $10,000 to $642,839; $160,714.

This is an extremely important section which perhaps more than any other illustrates the primary limitation of the Catalog — its inability to provide information as current as it needs to be. An applicant needs to know how much money, if any, a program has available. If there has been no money authorized for the program no amount of research will help you get funded. Similarly, if a program has already committed all funds authorized for the fiscal year, your chances of being funded are nil. You need to be aware of what funds are available and when so you can submit your proposal at the time when it has its best chance of being funded. Contacts with federal agency staff and other sources of information are quite important in this regard as the Catalog and supplement could never completely fulfill the need for current financial information.

The Catalog does indicate (1) how much assistance was awarded under the program during the fiscal year two years prior to the current year (FY '74), (2) an estimate of how much was obligated during the most recent fiscal year (FY '75) and (3) how much the agency estimates will be obligated during the current fiscal year. Unfortunately, that final figure can be quite inaccurate.

Since agencies submit data for the Catalog in the early spring, the estimates must be based on the President's proposed budget. But what the President requests for a program and what Congress ultimately appropriates for that program can be quite different. In the present political situation, the Republican President has often requested no appropriation or a significantly reduced appropriation for a program, but the Democratic Congress has insisted that the program be funded at or near previous levels. A good example is the Community Service Administration's "Older Persons Opportunity and Services" program (49.010). The "Obligations" subsection indicates that while $10 million in grants were awarded in fiscal 1975, no funding will be available in fiscal 1976 because the President did not request any funding for the program. But Congress recently passed an appropriations bill for C.S.A. which maintains the $10 million funding level for this program.

The supplement to the Catalog may have more accurate information about such a program, but because information for the supplement is collected in August it is doubtful. Even if it does, the supplement is not published until November and you probably won't see it until well after that date. Yet the best time to apply for funding from a continuing program is usually shortly after the appropriations bill becomes law. How can you keep up with this vital budget process? There are a number of ways which are discussed in the "Information Contact" and "Other Sources of Information" sections of this review.

One valuable thing you can learn from the information presently given is the year-to-year trend in funds obligated. With the "Special Program for the Aging" example, the trend is obviously downward. This usually means that your chances of getting funded are not good as the agency will probably use most of its money to continue funding projects previously supported. If the trend is sharply upward, the program could be a very promising source of funds for your organization.

The "Range and Average of Financial Assistance," requires little explanation. If the largest grant is $100,000, you would usually not ask for $200,000.

Program Accomplishments

PROGRAM ACCOMPLISHMENTS: Statewide Planning: During fiscal year 1975, States completed extensive needs analyses and designated 610 Planning and Service Areas. The leadership role of State agencies for the restructured Title III and the new Title VII programs was initiated in fiscal year 1974 for the 412 new area agencies and 665 New Nutrition Projects that have been established under the First Annual State plans. In fiscal year 1975 the management capability of these agencies was developed and strengthened. Area Planning and Social Services: During fiscal year 1975 states continued the 412 Area Agencies on Aging in the 610 Planning and Service Areas. Special emphasis was placed

on the coordination of existing programs and the pooling of untapped resources. 307 Community Project Grants were made in areas without approved Area plans. Information and referral and outreach services were also given high priority. Services supported on behalf of older persons included: transportation, escort, counseling, health screening, homemaker, home health, homemaker-home health, aide, chore services, friendly visiting, telephone reassurance, protective services, continuing education, legal services, welfare services, nutrition services, employment services and others. Model Projects: In fiscal year 1974, 60 Model Project Grants are being funded in areas of housing, continuing and pre-retirement education, services to assist the physically and mentally impaired. Legal and para-legal services, ombudsman services, and disaster relief and services. Nutrition Program: During fiscal year 1975, 665 Nutrition projects serving over 220,000 meals five days a week were established.

This section can be a source of good information about the types of projects supported by the program, the concerns of the administering agency and, generally, what is happening with the program.

This section is a particularly valuable source of information for the "Special Programs for the Aging" program. You learn, for example, that the nutrition program is new and that nutrition projects are funded at or below the state level. You learn for the first time that there are area agencies involved in the program and that information and referral and outreach services have been emphasized. There is a list of some of the services that have been funded, giving you an idea of whether your organization could obtain funding under the program. You also get an idea about what the priorities of the Administration on Aging have been in regards to model projects.

Regulations, Guidelines & Literature

REGULATIONS, GUIDELINES, AND LITERATURE: 45 CFR 903 and the "Manual of Policies and Procedures for Title III of the Older Americans Act of 1965," as amended. 45 CFR 909-Nutrition Program for the Elderly. "Manual of Policies and Procedures for the National Nutrition Program for the Elderly."

This is a vital section, one which, for many programs, you will have to augment with your own research.

You need to read the regulations for a program to learn more about its specific requirements. This section indicates where you can find the regulations.

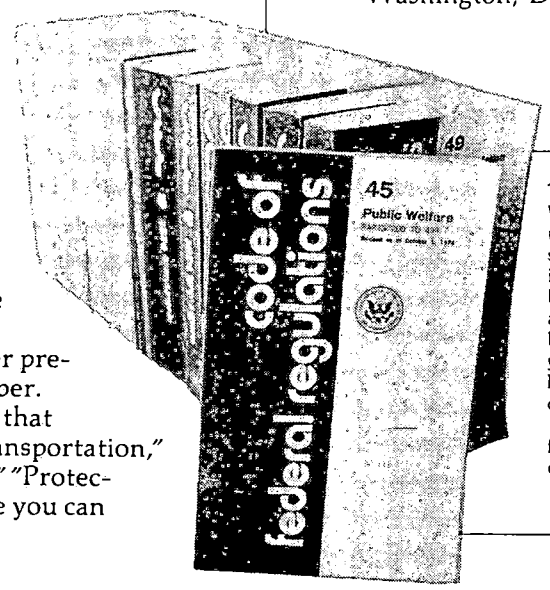
"CFR" is the abbreviation for Code of Federal Regulations which is where regulations published in the **Federal Register** are codified. The Code is available in most major libraries. The number preceding "CFR" is the volume number. The code is divided into volumes that correspond to subject areas ("Transportation," "Public Welfare," "Public Health," "Protection of Environment," etc.). Since you can purchase individual volumes (or parts of volumes) separately, you may want to obtain a few relevant ones for your library. Individually bound parts of volumes range in price from $2 to around $8 and can be ordered from the Superintendent of Documents.

Besides a reference to the regulations for the program this section also lists key publications that explain the program. In the example, two manuals are listed. Unfortunately, neither one is generally available to the public (in other words, they won't send the manuals to you), while several important publications that are generally available are not listed. Our example is unusual in that, for most programs, publications listed are generally available. But it is like many program descriptions in that the list of publications is not complete.

You should usually try to write to specific staff people at the lowest division or office within an agency that you can identify. In the example, you can determine by looking at the section called "Headquarters Office" that the agency administering this program is the Administration on Aging. To determine divisions within the agency and the names of staff people you need to have a copy of the most recent **Congressional Directory**. The **Directory** lists the various divisions of an agency, notes the name of the director of each division, indicates the specific address of the agency and prints its phone number.

If you are interested in getting a research on aging project funded, then you would write to the director of the Office of Research, Demonstration and Manpower Resources — Martin Sicker. Since the address of the Administration on Aging listed in the **Directory** is more specific than the one noted in the Catalog, you would use the address in the **Directory**. Thus your request for information would be addressed:

Martin Sicker, director
Divisions of Research,
Demonstration and Manpower
Resources
Administration on Aging
400 Sixth St. SW
Washington, D.C. 20201



TO ORDER A CFR

When you want to obtain a copy of a particular CFR, check your closest federal bookstore. If it is not there or a federal bookstore is not near, obtain a copy of any CFR at the bookstore or a library. In the back of each is a list of all CFR's by subject and number, but the price is not noted. To get the price you have to look at the first issue of the Federal Register for any month, which includes a list of CFR's by number and price.

With that information you can order it from the Superintendent of Documents, enclosing the correct amount of money.

Request one copy of each of the publications that are noted in the program description in the Catalog (naming each one). Also ask for program guidelines, regulations, deadlines, annual reports, lists of grantees, etc. You may be able to find out about publications not listed in the program description through newsletters, by talking with another agency in your area that has worked with the program or by asking staff at the agency's regional office. It is better to ask for a publication by its specific name.

When writing for information, name the specific program and note its Catalog number. If you ask for "information about your programs" the response is much more likely to be inadequate than if you ask for "information about the 'Special Program for the Aging' program, number 13.609." Often information about a publication will indicate that it should be purchased from the Superintendent of Documents. However, agencies will often provide you with a single copy.

When writing, ask to be put on the agency's mailing list so that you will receive current information about the program. It is vital to get on that list since mailings are usually the way an agency dispenses the most important information about its programs — notices of deadlines, program guidelines, and, perhaps, requests for proposals. (Requests for Proposals are requests made by the agency for proposals in a certain project area, to meet a particular research need, to provide a certain service, whatever. Often they are issued at the end of a fiscal year when the agency has some unspent funds. They usually require fast action. If you are not on the mailing list you probably will never know about them, and even if you are you probably won't receive one. The bottom line is often whether you have contacts with the agency's staff.)

Some agencies will respond very well to your request for information; many will not. If the agency doesn't, write again. If they didn't send a specific publication you asked for and there is no explanation, ask again, noting your previous request. Be as specific as possible. If you have to write a third time, do it, suggesting the agency's obligation to provide information about their programs. Often an agency will make only a cursory response to initial requests because so many are received, which is why you have to write more than once. If the agency does not put you on the mailing list, ask why they didn't. If they say they do not have such a list, ask how they distribute program guidelines and deadlines information. Several agencies have put the Center's library on their list after we asked that question. The goal is to get as much information as you can. The time spent will be more than made up by the time saved when you have the information handy and are getting it constantly.

TIRESOME. . .
You may have to write three or four letters until you get the information you want. But it will be worth the trouble.

Information Contacts

INFORMATION CONTACTS:

Regional or Local Office: Directors, office of Aging, Administration on Aging, Office of Human Development, Office of the Secretary, Department of Health, Education, and Welfare, Regional Offices (see appendix).

Headquarters Office: Commissioner, Administration on Aging, Office of Human Development, Department of Health, Education, and Welfare, Washington, DC 20201. Telephone: (202) 245-0724.

The amount you can learn about anything by talking with someone who is involved with it is vast. In seeking government funding, personal contacts are absolutely essential. A grantsperson for a Los Angeles area city said that he knew the people in the federal regional office he worked with better than he knew the people on his city's Chamber of Commerce.

The "Information Contacts" section of the program description suggests who you should contact to get information about the program. Most major federal agencies have regional offices and often funding decisions are made at the regional level. In our example, this section indicates that there are regional Administration on Aging offices at HEW regional offices. For some programs the regional office of the Department (as opposed to the specific agency) is listed, meaning that the agency does not have a regional office but that there are staff involved with the program on the regional level.

Once you have all the written information you can obtain, call the regional office for more information and try to learn what you can about how the funds flow in the agency (does the regional office make funding decisions?), who is responsible for what, whether money is currently available, etc. In the back of the Catalog is a list of some of the regional offices of federal agencies.

Try to arrange a meeting with the regional staff of a federal agency. Contact local organizations who are involved with the federal agency and ask them who they work with in the regional office. If the federal agency you are interested in funds programs in your geographic area there is probably a field representative from the agency monitoring and assisting the local programs. Try to arrange a meeting the next time the person is in town — ask the local agency running the program to invite you to lunch with the federal staff person. Then, when you are in the city in which the regional office is located, arrange in advance to meet the field representative and have him introduce you to other regional office staff.

Often you can determine from the program description in the Catalog whether there is a state (and

perhaps local) agency administering at least part of the program. If so, you need to contact the program administrators at those levels. As you can see by looking at the "Objectives" or "Program Accomplishments" sections, the "Special Programs for the Aging" program distributes funds to state and area agencies, which may be good sources of information and, perhaps, of funding. Keep in mind though that regional, state and local agencies often don't know all that much about a program either because of its complexity or because of the lack of communication among various offices of the agency.

Related Programs

RELATED PROGRAMS: 17.207, Employment Service; 17.223, Operation Mainstream; 72.001, The Foster Grandparents Program; 72.002, Retired Senior Volunteer Program.

This is a system of cross-indexing the Catalog. The programs listed here may be able to provide you with assistance and you should certainly look at the description of each one. However, this list is usually quite abbreviated and it in no way takes the place of your own search through the various indices for programs that may be potential sources of assistance.

THE APPENDICES

The Catalog has seven appendices, several of which can be useful to you. The first is a list of programs that require A-95 Clearinghouse Review. These are programs for which you must send your application to both an areawide clearinghouse and a state clearinghouse in addition to sending it to the federal agency. In the past the list has changed often, and thus the list in the Catalog (or the revised list in the supplement) may not be current. But if the program requires clearinghouse review, the agency itself should inform you.

The second appendix is a list of programs that require state plans, meaning that each state must develop a plan for using the funds from these programs. The third appendix is a list of programs for which information about all financial assistance awarded under the program must be sent to a designated Central Information Reception Agency in each state. A description of this information system and a list of state reception agencies is included in an article in issue 13. The federal agency must inform the reception agency, not the applicant. The importance of the list is that if the program must report grants made you may be able to find out how much has been granted by the program to your state. The fourth appendix is a list of regional and local offices of many federal agencies.

Following that appendix is a list of commonly used abbreviations and acronyms which can be quite useful. You might xerox the two pages and pin them up somewhere handy. The last two appendices are lists of programs subject to the requirements of Federal Management Circulars 74-4 and 74-7. The meaning of these circulars is described in the article on FMCs in Issue 13.

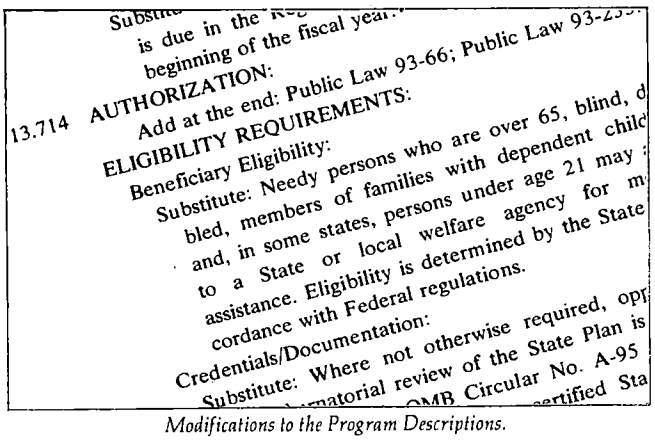
USING THE SUPPLEMENT TO THE CATALOG

Once a year a supplement to the Catalog is published, which you will receive automatically (this year's supplement will be published in November). The supplement lists new programs, defunct programs and programs which have been changed in some way. It also explains why a program has been deleted or added. Included in the supplement are: complete, revised sets of indices and appendices; lists of programs added, deleted and changed; a list of changes in program numbers and titles; a section noting the modifications made in programs; and detailed program descriptions for all of the new programs.

The supplement can be handled in a number of ways. You could insert all the new program descriptions and enter all "pen and ink" modifications into the Catalog. But all the work involved in doing that is not necessary. Keep the supplement together, inserting it into the binder in front of the Catalog. Then take out the old sets of indices and appendices so that you or someone else doesn't become confused and use an old index or appendix.

When looking up a program, simply use the new indices, which include the new programs and exclude the defunct ones. When you have found the number of a program you are interested in, go to the "Programs to Be Added" page in the supplement. See if the program is new. If it is, the program description will be found in the supplement, not in the main body of the Catalog. If the program isn't listed there, its description will be found in the Catalog. But before looking it up there, check the "Summary List of Modified Programs." If the program number is listed there, look it up in the section starting on the next page—"Modifications to Program Descriptions" (see illustration). Check to see what the change is, then go to the program description in the Catalog. Immediately make the change in the Catalog.

When you first receive the supplement go to the list of programs to be added and see if any relate to your organization. Then look at the list of programs to be deleted to see if any programs you are interested in have been eliminated. Finally, check the "Summary List of Modified Programs" to see if any changes have been made in the programs you are involved with. To do these things efficiently you need a summary list of your


Substi... is due in the ... beginning of the fiscal year...
13.714 AUTHORIZATION:
Add at the end: Public Law 93-66; Public Law 93-...
ELIGIBILITY REQUIREMENTS:
Beneficiary Eligibility:
Substitute: Needy persons who are over 65, blind, d...
bled, members of families with dependent child...
and, in some states, persons under age 21 may ...
to a State or local welfare agency for m...
assistance. Eligibility is determined by the State ...
cordance with Federal regulations.
Credentials/Documentation:
Substitute: Where not otherwise required, opt...
...matorial review of the State Plan is ...
...OMB Circular No. A-95 ...certified Sta...

Modifications to the Program Descriptions.

own which includes the program numbers and titles of all the programs you are interested in.

CHANGING THE CATALOG

Included in last year's Catalog was a user questionnaire that was evidently intended to determine how the Catalog was being used and what users felt was needed to improve the Catalog. Unfortunately, little has been done with the responses. According to the editor of the Catalog, Robert Brown, the first 300 or so questionnaires received were looked at, the remainder are in a file cabinet.

The most frequently-mentioned needed improvement in the Catalog was more financial information. Ideally, the Catalog should publish quarterly updates of financial information which would list how much has been appropriated for the program during the current fiscal year (or note the status of appropriations legislation), how much has been obligated by the agency and how much remains to be obligated. Brown said that such a quarterly update was considered by OMB at one time, but that the idea was rejected as being impossible to implement because of the difficulty in obtaining such information. But if OMB was authorized by Congress to produce such a quarterly publication and if the system for obtaining the information was tied into the revised and expanded TC 1082 Grant Information System it could be done.

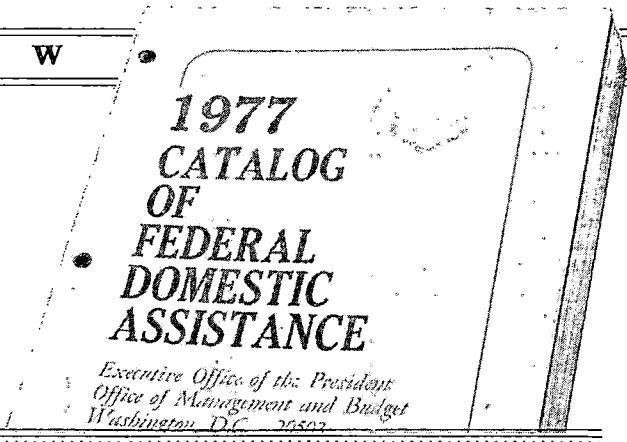
But one important change they could easily implement would be a feedback system. OMB should include forms in the Catalog which could be filled out and sent in by users when they found a mistake in the information included in the Catalog or an omission of some relevant piece of information. Users could also report on grant programs they had found out about which are not in the Catalog. OMB could gather the comments and then take a more active role in analyzing information submitted by federal agencies.

Keeping Up with Rescissions and Deferrals

The new rescission and deferral process (see issue 10, page 7) is another aspect of federal funding that you should follow closely. You can if you are reading the *Federal Register* regularly. Each month the President must publish in the Register a list of all rescission and deferral requests he has made. A rescission, or elimination of some or all of the funding for a program, must be approved by both Houses of Congress within 45 days to go into effect. A deferral of funds automatically goes into effect unless one House disapproves it within 60 days. Money can only be deferred until the end of the fiscal year when it must be obligated.

If the President is successful in getting all or part of the money previously appropriated for a program rescinded, you should know it, since it will decrease or eliminate your chances of being funded by the program. Also, during the 45 days the rescission is being considered by Congress, none of the funds in question can be obligated (because of the way days are counted that 45-day period can and has extended for four months). But rescissions are seldom approved, and the most important thing for the grant seeker is the deferral process. Congress doesn't act to halt many deferrals. But when the fiscal year ends, all deferred money must be obligated *in addition to* whatever funds have been appropriated by Congress for the program during the new fiscal year. In other words, the agency has relatively a lot of money to be obligated at the beginning of the fiscal year. If you know that fact, you can have a proposal ready. Deferred funds may be released prior to the end of the fiscal year, but the principle is the same - if you know when the funds become available you can have your proposal ready at the right time.

The key is closely following the monthly list in the Register of new rescission and deferral requests. In addition to listing new rescission and deferrals, the monthly report indicates the status of every deferral and rescission requested during the year. Make your own list of programs that relate to your organization and for which a deferral or rescission has been requested. By keeping such a list current you can know when an agency has funds.



Catalog of Federal Domestic Assistance (1977). *860 pages; $18 (includes supplement). Published by the Office of Management and Budget. Available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.*

The new 1977 *Catalog of Federal Domestic Assistance* (which is actually used during fiscal year 1978) includes several significant improvements, many of which were suggested two years ago by the NEWS. The *Catalog* is the basic source of information for those seeking assistance from the federal government.

In size, appearance and number of assistance programs included (1,046) this year's edition does not appear very different. What is new, however, is 10 pages of excellent material on how to use the *Catalog*, as opposed to two very inadequate pages in past years. Other welcome additions include a new index and new appendices.

The 1977 introductory material also includes a list of procedures a grant seeker should follow in applying for assistance, which will be invaluable to those unfamiliar with the process and useful to those who have had considerable experience with it (the list is reprinted on page 61). Another addition is a description of the various Office of Management and Budget (OMB) and Treasury Department circulars that impose certain requirements on many of the assistance programs described in the *Catalog*.

However, some problems with the information included in the *Catalog* have not been corrected, and perhaps could not be without legislative action. The *Catalog* is published by a small staff in OMB, with the heart of the *Catalog*—program descriptions—being written by the administering agencies. As a result, the adequacy and accuracy of the descriptions vary. Thus, the *Catalog* must be regarded as a starting point and not the final word.

Another thing that has not been improved is the time lag between when the information was compiled and when you read the descriptions. Thus, contact names, deadlines, financial information and other critical facts are often out-of-date. You have to double-check with the administering agency, a step the new *Catalog* acknowledges as necessary.

The time lag is particularly critical in relation to financial information. When program descriptions are submitted to OMB (around March) funding for most of the programs has not yet been appropriated. Often the amount of money available is underreported for two reasons: it is easier for the agency to deal with applicants when it has more money than expected, rather than vice versa; and, in past years, the Democratic Congress often appropriated more money than a Republican president had called for in the budget. The key is keeping in contact with the agency so that you know when extra money becomes available.

But while the information in the *Catalog* is not always accurate, access to it has been improved by the additional index and the improved appendices. The new index lists programs from which private nonprofit organizations are eligible to receive assistance directly. Previously there were eligibility indices only for individuals and state and local governments. Remember, however, that while private nonprofits may not be eligible to receive funds from a certain program directly from the federal agency, they may be able to receive the same funds by applying to a state or regional agency.

The subject index also appears to have been expanded, though in using it you still have to be sure to look under every possible subject heading, and even then you can't be absolutely certain that you have identified every program that may be of interest to you.

The primary improvement in the appendices basically consists of a reorganization. Before, the programs that were subject to the requirements of various management circulars (the proposal review process mandated by Circular A-95, the uniform standards for the administration of grants to state and local governments imposed by Circular 74-7) were listed independently. Now, there is one chart that makes it easy to determine all of the federal requirements a particular program is subject to. Like many of the improvements, this change makes researching just a little bit easier, which is appreciated.

The only problem with this appendix again involves timeliness. New circulars that impose uniform standards on assistance to private nonprofit organizations are not included in the chart.

There are two new appendices, one of which is helpful, the other redundant. The helpful one is the Authorization Appendix, which tells which programs are authorized by what legislation. If you know about a particular piece of legislation but don't

know which programs it authorizes, you can find out by using this appendix.

The less relevant appendix is a list of deadlines for all programs. This information is included in the program description and it is organized in exactly the same way in the appendix (by program number). The deadline information is one of the primary weaknesses of the *Catalog*, because many deadlines are inaccurate and many more have not been determined by the time the *Catalog* is published.

Another useful appendix is the list of regional and state offices of federal agencies, though this is not new.

One omission from the *Catalog* is any mention of FAPRS (Federal Assistance Program Retrieval System), the computerized system for providing information about many federal assistance programs. The system is not yet fully operational and access is somewhat limited (a bill that would make it operational is pending—see issue 20), but since it can be useful to many people looking for federal funds it should have been explained.

Another problem that has not been remedied in the new edition is how long it takes to get a *Catalog*. A few years ago it was available in all federal bookstores, but now it can only be purchased from the Government Printing Office in Washington. Expect to wait.

The new *Catalog* notes a number of places you can go to see and use the *Catalog*, including congressional offices, federal agency offices, many state and local public agencies, Federal Information Centers (check your phone book), Federal Regional Councils and depository libraries for U.S. government publications (check with your local library).

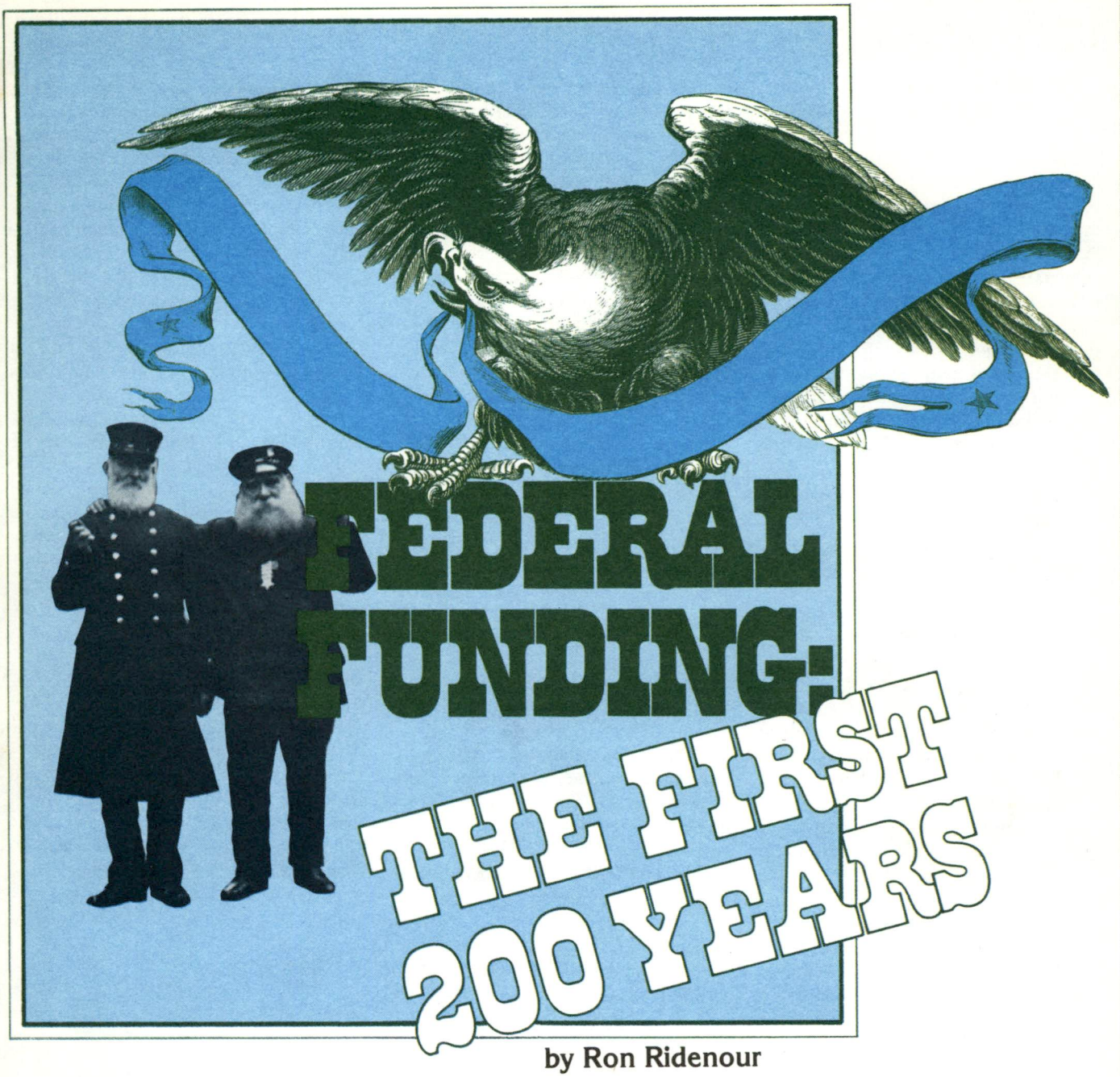
Reprints

This article is available as a reprint: 1-10 copies, $1.25 each; 11-25 copies, $1.05 each; 26-100 copies, 95 cents each; 101 copies or more, 80 cents each. Order from the Grantsmanship Center, 1031 S. Grand Ave., Los Angeles, CA 90015

Application Procedure for Obtaining Federal Assistance

This is a list of steps applicants should generally follow once a program that seems to be a potential source of assistance has been identified. Some steps vary depending on the type of applicant. This checklist of steps is adapted from the Catalog of Federal Domestic Assistance.

- Check the "Applicant Eligibility" section of the program description or the appropriate Applicant Eligibility Index to determine eligibility.
- Determine whether the program offers financial or nonfinancial assistance.
- Contact the agency (regional or local office first, if the agency has one) to find out the current availability of funds and the likelihood of receiving funding within a given period. (Information about regional and local offices is found in some program descriptions, but primarily in Appendix IV of the *Catalog*.)
- Find out if there are any restrictions on the use of program funds.
- Find out if there are any restrictions placed on the time permitted to use the funds awarded, and the timing of disbursements (quarterly, as required, etc.)
- Find out whether funding decisions are made at the headquarters, regional or local office level.
- Request recently published program guidelines and material.
- Discuss preapplication and application procedures: Find out if a preapplication conference is required.
- Find out the necessity of having preapplication coordination or prior approval with state, local or other nongovernmental units prior to submission of applications to the funding agency.
- Find out if a state plan is required the date of submission, federal office to receive it and whether there is financial assistance available for preparing the plan.
- Find out if the "Notification of Intent" to apply for assistance must be reviewed by both state and areawide clearinghouses in accordance with Circular A-95, and the location of the clearinghouse (in the area where the project is located, not the location of the applicant).
- Obtain written instructions on the A-95 procedures from the funding agency.
- Obtain preapplication and application forms from the funding agency.
- Where necessary, get assistance from the funding agency in preparing the application forms.
- Find out the deadline date for submission of application to the funding agency.
- Find out how long it usually takes for the application to be processed by the funding agency.
- Find out if the program is subject to FMC 74-7, FMC 74-4, OMB Circular A-110, OMB Circular A-111 (joint funding) or other federal agency circulars. Find out if environmental impact information or an environmental impact statement is required for the program.
- Find out whether there are matching requirements that must be met and whether they should be cash or in-kind contributions.
- Find out what kind of reports and records will be required to be maintained or retained.
- Find out the type and frequency of audits required.
- Find out if there are renewals or extensions of applications and the procedures for such.
- Finally, applicants should adhere to the requirements of each program prior to the submission of an application for assistance. Applicants should submit all preapplication and application forms to the federal funding agency at the headquarters, regional or local level as appropriate except those federal formula grants administered by state agencies (which have final approval over subgrants with no requirement to obtain federal agency concurrence) and applications for joint funding projects which are submitted to the appropriate Federal Regional Council for coordination with participating federal agencies. Applicants may write, telephone or visit the office directly to initiate the process of application.



FEDERAL FUNDING: THE FIRST 200 YEARS

by Ron Ridenour

America's early settlers were rugged individuals; "go it alone"was their operating philosophy. But during the Revolutionary period, cooperation between the central government and the states became a matter of survival. The recognition of that interdependence was a first step toward our system of federal grants.

The Articles of Confederation, ratified in 1781, allowed states to enter into a "firm league of friendship with each other for their common defence . . ." Four years later, Congress ordained the first federal grant: the Land Ordinance of 1785, which granted land to soldiers, in lieu of money for their war efforts. Since the earliest beginnings of the Constitution, the courts and the Congress have endorsed the government's power to tax and spend for a broad range of public purposes. Today, the United States is the largest grantor in the world, supporting one-half million institutions in the United States through the grants system.

The United States Commission on Intergovernmental Relations has characterized the history of grants-in-aid in terms of three periods. From 1785 to 1918, education and agriculture were dominant; from 1918 to 1930, highway construction predominated; and from 1930 to the present, welfare has been dominant. A less broad breakdown, used here for easier reference, is: 1985 to the onset of the Depression; the New Deal; the '40s and '50s; the Great Society; and the New Federalism.

Grants programs from 1785-1920s

The first grants made to the Northwest Territory advanced the cause of statehood by transforming territories into states with more political clout, and strengthened the national government through a greater tax base. In this manner, the public domain served as the integrating factor in the development of cooperation between the states and the federal government.

The United States Committee on Agriculture, reporting in 1958 on government subsidies, pointed out that when the first Congress convened in 1789, its first piece of legislation was "the enactment of a tariff law, to protect and promote the infant and frontier industrial development of America. Moreover, this legislation set up a special subsidy mechanism to encourage the development of an American merchant fleet," giving tax favors to American shippers and private banks.

The Committee said that subsidies embrace "industries whose profits would be less without protection of the tariff laws and the many other statutes that soften the full force of competition in a private enterprise economy; and this broad definition (of subsidies) likewise encompasses all working people whose earnings are greater because of minimum wage, collective bargaining, and immigration laws."

Throughout our history, budget and fiscal policy has been predicated on the common belief that the federal budget should be balanced annually because business demands financial stability. The wealthy believe that any debt hurts them by slowing profits. They resist the press for more social services. Ironically, however, business has traditionally been propped up by federal grants and subsidy laws actually aimed at curbing private enterprise.

The following are all grants known between 1785 and the 1920s. Because many appropriations were hidden in legislation enacted for other purposes, a precise accounting has never been produced.

☆**1785-87** Land grants to Northwest Territory.

☆**1789** Subsidy for merchant fleet development.

☆**1798** Funding for merchant hospitals for care of American merchant seamen laid the basis for the current public health services, with six federal agencies administering multibillion dollar programs.

☆**1802** With the admission of Ohio, each state was entitled to grants for the public domain for school support including grants for "internal improvements"—construction of canals, wagon roads, and eventually railroads. These monies went to private businesses.

☆**1803** Federal government sponsored the Lewis and Clark expedition, starting at the Ohio River. President Thomas Jefferson appointed the explorers "to trace the Missouri to its source, to cross the highlands and follow the best water communication which offered itself from thence to the Pacific Ocean." This famous exploration took three years and precipitated the acquisition of the Louisiana Purchase territory and the Oregon country, and advanced the American fur trade. The explorers were awarded grants of land by Congress.

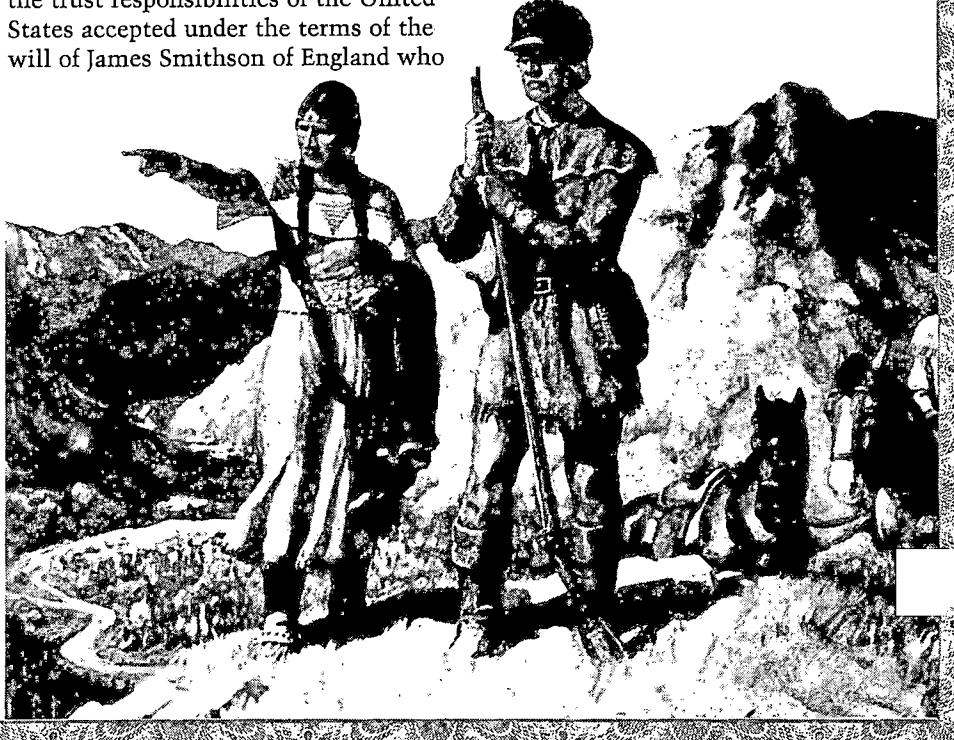
☆**1808** Congress appropriated small sums to states for militias, a precursor to the current National Guard system. The national government assumed the states' war debts as a consequence of the Revolutionary War. The $18 million liability was an enormous sum; annual revenues stood at $4.5 million.

☆**1836** Congress appropriated the first large cash grant to states to spend as they saw fit. Under the Surplus Distribution Act, states used the $28 million surplus.

☆**1836 and 1846** Congress approved the Smithsonian Institution as an "independent establishment...to carry out the trust responsibilities of the United States accepted under the terms of the will of James Smithson of England who bequeathed his property to the United States 'to found at Washington...an establishment for the increase and diffusion of knowledge among men.' " It was to offer "a broad range of educational and research activities." Strong anti-intellectual feelings permeated the nation then, and much of the money bequeathed was squandered on Arkansas state bonds, which soon defaulted. The Smithsonian was finally established in 1846, and is today the largest single center for visitors, with a staff of over 3000 and an annual budget of $100 million. It has a collection of 75 million items, growing at a rate of one million a year.

☆**1842** Congress granted Samuel F. B. Morse $30,000 to test the feasibility of public use of the electromagnetic telegraphy system. The bill gave almost total freedom in the use of the funds.

☆**1857** Minnesota pressured Congress to pass a land grant for railroads, assuring its statehood and profit for four private railway companies. Bonds were also created for use by private companies in constructing railroads. By 1862, transcontinental railroads were under way with another land grant to Union Pacific. The national government had given 6.3 million acres of public lands to private interests—farmers and gold and silver mine owners—in the first half of the 19th century. Another 183 million acres of federal and state lands were granted to railroad companies between 1850-71. These grants aided territories in becoming states, in



building state revenues and in providing huge profits for private industry. Without them, private industry would have developed much more slowly than it did, and the emergence of the U.S. as a world power would have been retarded.

☆**1862** The all-important Morrill Act allocated 30,000 acres of public domain to every state for each senator and representative sent to Congress, speeding up the federalization of the United States. These lands were used for educational institutions.

☆**1879** Congress provided for education for the blind.

☆**1887** The Hatch Act gave cash grants for agriculture experimental stations. That "granddaddy" of cash grants allowed the development of agriculture and vocational training in many fields. The precedent was set for later airport construction, urban renewal, water treatment, and mass transportation. This was the first act requiring annual reports on how money was spent and delineating progress of the experimental stations.

☆**1888** Congress appropriated $120 per year for each disabled veteran for the operation of state homes, long fought for by vets of the Civil War. This was the first money grant for services to individual citizens.

☆**1890** The second Morrill Act for education was passed, tightening federal control over state activity. It allowed federal officials to withhold payments if states failed to use funds "properly." The act initiated the first inspections of state structures by the federal government, under the departments of Treasury and Interior.

☆**1911** The Weeks Act offered federal assistance for fire protection in some forested areas. It was small in scope, but required the first matching funds in the grants-in-aid system. It also required the federal government to approve state projects before they were funded.

The Hatch Act, the second Morrill Act and especially the Weeks Act provided the essential features of the 20th century categorical grants system.

A federal inquiry in 1912 found that agricultural grants had been "violated consistently in several states," by delaying investing the capital or investing it at less than the prescribed 5 percent, causing loss of income to colleges, and using grants for purposes other than colleges. The study caused controls to be instituted in ensuing congressional acts for grants-in-aid. These early acts shaped the administration attitude that grants are not open gifts. Requirements of reporting, auditing and use-as-directed became customary.

☆**1914** The Hatch Act was extended to include grants for agricultural extension work.

☆**1916** With the completion of a national railway system, Congress passed the Federal Highway Act. Its purpose was to build roads over which agricultural produce could be transported to the railway points. Debate raged for six years over the degree of federal control permissible, and the question of how much money should be allocated for the development of a national road system and how much for more rural roads. The Act left states with control of what roads would be built. In 1921, Congress passed another law expediting national interstate roads. The largest grant to date was approved: $50 million for the first year. The amount grew to $95.7 million in 1952 and $227.3 million in 1936.

☆**1917** With the Smith-Hughes Act, a small sum was appropriated for vocational education in the areas of agriculture, trades and industry, home economics, and to train teachers for "useful employment." In 1936 the act was expanded to include distributive occupational subjects.

The Chamberlain-Kahn Act contained a rider to war measures providing the first funds for health: to treat soldiers with venereal disease.

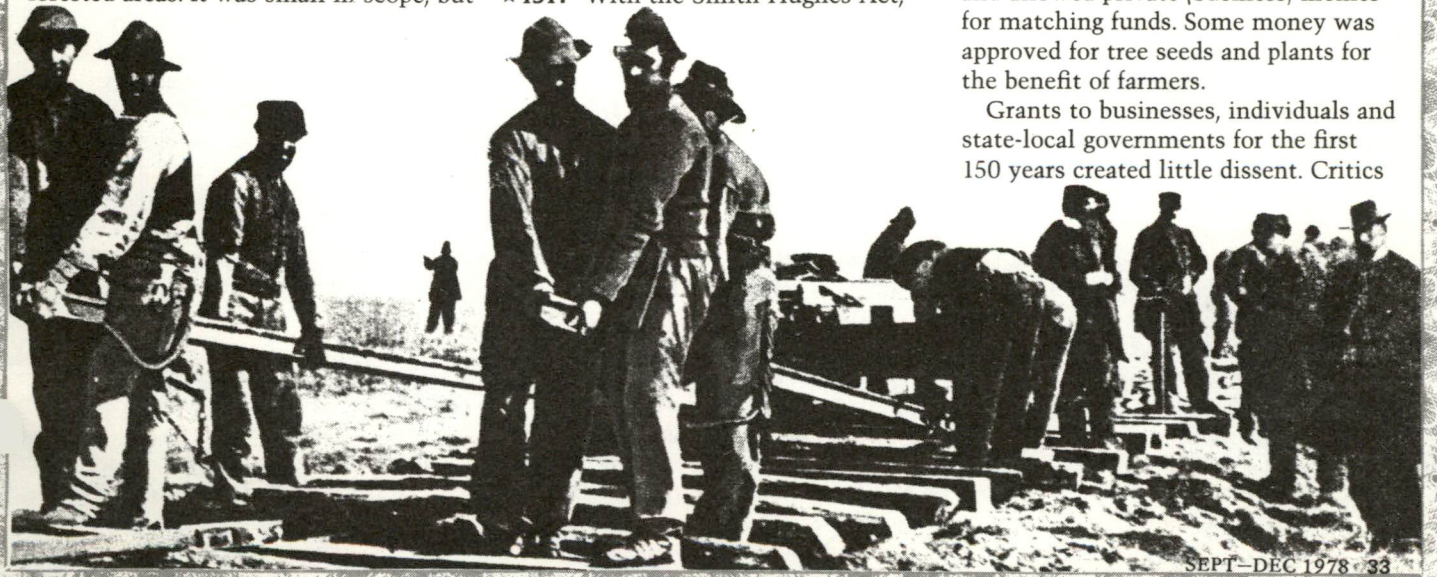
☆**1918** The Chamberlain-Kahn Act contained a rider to a war measure providing the first funds for health: to treat soldiers with venereal disease.

☆**1920** With the Vocational Rehabilitation Act, Congress granted individual services to those disabled in industry. It was eventually enlarged under the Social Security Act of 1935. The first appropriation amounted to $313,463 and was used to aid in the retraining and employment placement of some disabled persons. The law was prompted by returning disabled veterans of World War I.

☆**1921** The Sheppard-Towner Act was hastened by the 1918 Venereal Disease Health Act. Women had fought for funds for infant hygiene and maternity care. This act was rescinded under the conservative Hoover regime in 1929. Doctors and medical groups disapproved of the government supporting health care. No new individual services were approved throughout the laissez-faire '20s.

☆**1924-1929** The Clark-McNavy law broadened the scope of fire-prevention and allowed private (business) monies for matching funds. Some money was approved for tree seeds and plants for the benefit of farmers.

Grants to businesses, individuals and state-local governments for the first 150 years created little dissent. Critics



did complain that mandatory schooling took away needed labor in the fields. Summer and lengthy Christmas and Easter vacations were instituted to accommodate harvest seasons.

Of the 230 million acres of land the federal government dispersed, over half (130 million) was granted for educational purposes. At least a dozen states were given birth by the grants system.

Also during this period, land grants were replaced by cash grants; continuing programs (categoricals) replaced "single shot" projects; federal surveillance and reporting procedures were established, tightening federal control after more than 100 years of laxity; cooperative enterprising was adopted with the matching grant concept; and automatic formula grants were created based on area size, population and income. Project grants, allocated at the discretion of grantors, waned.

Thus the national government was organizationally ready for the big crash, even though it was not ideologically, or financially, prepared.

The new deal

Until 1929, federal grants payments were so small they couldn't significantly affect state-local finances. No complete grant figures prior to 1929 are recorded, but that year, grants amounted to three percent of all federal expenditures; a decade later, grants accounted for 39 percent of expenditures.

Before the Depression, voices in support of federal aid for the poor or working people went unheard. Pressure for social justice was directed at states, seemingly closer to the people; experimentation was easier on local levels. State-local governments accounted for 74 percent of public spending and 67 percent of taxes.

Aid to states in 1913 totaled $12 million dropping to $11 million in 1927 (except for highway monies first authorized in 1913). In fiscal 1931, the Depression began to make its impact on federal assistance. The government spent 50 percent more than in the previous year for grants, but much of it still went for the construction of highways, in spite of the drastic unemployment rate that put 15 million workers on the streets, many of them holding picket signs.

While workers and radical groups organized, demanding social justice, the Hoover Administration resisted liberal and left pressure, taking the attitude that the economy would cure itself. In 1932, Congress passed the Emergency Relief and Construction Act, appropriating $300 million in unrepaid loans to states and cities.

When Franklin Roosevelt took office, he called for broad executive power. Americans responded quickly. National problems required national remedies. The economic crisis had paralyzed state-local governments. By 1933, 25 percent of the work force was unemployed.

The Federal Emergency Relief Administration Act (FERA), which forced significant changes in direction between federal-state relations, was the first major step taken by Congress. The most rapid expansion of federal welfare in United States history occurred with the distribution of $500 million in 1933 on a 3-1 matching basis. Federal assistance totaled an unprecedented $3 billion in three years, with another $1 billion coming from states.

The next major break in the historical focus of grants-in-aid came that year with the Wagner-Peyser Act, which established public employment offices in states and assigned workers to federal work-relief programs.

The public assistance field expanded radically, with the Social Security Act of 1935 appropriating direct aid to the aged (65 and over received $15 a month), to the blind ($15 a month) and to dependent children ($6 a month). By March, 1937, 1,300,000 senior citizens and about 31,000 blind persons were receiving aid; and 450,000 families with children were on AFDC (Aid to Families with Dependent Children).

With the establishment of unemployment compensation in 1935, the federal government gave money to states without matching funds, paid for by an employers' tax. Only Wisconsin had previously had unemployment compensation.

Federal government intervention caused tension with the states. States resented what they considered the arrogance or impetuosity of federal agents, while federal officials disliked the slowness and lack of awareness of state officials. Federal agents often bragged about their power of imposing the New Deal on recalcitrant states. A prevalent attitude recorded in government documents went like this, "Give the good guys the jobs, the bad guys the gate."

The FERA relief payment system was universally disliked. People did not want to be on the dole, and payments varied from $6.78 a month in Kentucky to $45.12 in New York. The inadequate national average was $23.90 a month. Many southern states couldn't afford the matching money, so residents received only the federal portion.

The Social Security Act and the WPA permanently altered the nature of federalism. The precedent for direct government intervention was firmly set, and legally determined.

With the arrival of the Works Progress Administration (WPA), federal jobs were provided, and the number of people on the dole declined. $4.8 billion was spent immediately; by 1942, the costs were close to $11 billion. Some three million jobless were employed annually at no cost to the states.

The Social Security Act and the WPA permanently altered the nature of federalism. The precedent for direct government intervention was firmly set and legally determined.

Many governors and conservatives generally abhorred this radical step. The most vociferous was Gov. Eugene Talmadge of Georgia, who said, "I don't want to see them (the unemployed), don't let me see them...we must steel our hearts against them all as we did against the wounds and death in the war."

There were many legitimate criticisms of the WPA. Often it was used by politicians to shore up their domain. It was used for pre-election handouts as part of a growing pork barrel system.

While the operating term for federalism in the '30s was "cooperative," it was imposed more out of abject necessity than out of mutual desire. Millions of workers became radicalized; some 100,000 joined the Communist Party and demanded far more sweeping measures. Roosevelt and many captains of industry noted these voices and watched closely as scores laid down their lives fighting police and Army units over

their economic demands. Some historians view the New Deal as a program designed to defuse a revolutionary potential which, without the massive federal reforms, might have exploded.

Federalists contended that states had failed dismally to meet responsibilities to their residents. They saw the task of democratic polity to utilize the resources of centralizing technocracy without being dominated by it. But the technocratic revolution, forever with us, irrevocably leads to greater political centralization, as we shall see with the rise of New Federalism.

The 1940s-1950s

Concomitant with World War II came an end to the depression. Employment soared and grants-in-aid decreased, the only time in history, from $2.9 billion in 1939 to $900 million in 1946.

The federal government concentrated its energies, as did previously militant workers and leftist organizations, on the war effort, relegating domestic problems to a future time. At the end of the war, President Truman appointed the Hoover Commission to study how best to organize the executive branch of government, avoiding duplication and administrative turmoil.

The commission reported in 1949 that "grants-in-aid are a part of the warp and woof of present-day government." It believed that the relationship between federal and state governments is not a question that can be resolved once for all time. Emphasis shifts from generation to generation as "the American people fashion their government to meet the needs of changing times and changing conditions."

"As we have grown as a Nation," the Hoover Commission concluded, "so we have grown as independent States; and government today—all of our governments—is a large social and economic mechanism designed to serve and operate for the welfare of the people." Herein lies the crux of the federal system: it becomes more standardized and centralized as social systems and material conditions dictate. States acting alone cannot solve democratic, national interest and security, and general welfare needs and problems."

The Commission recommended a system of grants that would end fragmentation, evaluate goals, and eliminate programs not measuring up. Its analysis of the grants-in-aid obtains today, and is used by experts as a guide toward achieving future goals.

The Hoover Commission set forth the following as assets and liabilities of the grants-in-aid method.

ASSETS

a. The cooperative system based on grants-in-aid has provided needed standards of public services throughout the country in many fields—services that many States would be unable to supply. It has provided for some redistribution of resources from States that have superior means to those that lack them.

b. The plan has developed a division of responsibility: the National Government giving financial aid and establishing broad standards—the State governments sharing the fiscal burden and maintaining primary responsibility for administration. In addition to decreasing inequalities of service, the grants-in-aid method has raised the level of all aided services, without transferring functions entirely to the National Government.

c. The grants-in-aid method, in fact, has added to and expanded the activities of State governments by contributing to their resources and thereby enabling them to embark upon additional or more extensive public service programs for their own people.

d. It has stimulated States and localities to provide a number of public services deemed necessary and desirable in the national interest.

e. The cooperative method has improved the administration of many State activities. National administrative standards, as in highway and welfare programs, and national advice, as in police work, have done much to increase the professional skill and effectiveness of State administrators.

LIABILITIES

a. Grant programs are unrelated: they are uncoordinated; and they have developed in a haphazard manner without any one agency—Federal or State—concerned with the overall impact and the overall effects of grants-in-aid upon the general operations of government.

b. The grants-in-aid method has removed large areas of discretionary power from the hands of State officials and has transferred a measurable degree of policy-making and ultimate responsibility and control for public services to the National Government.

c. Grants-in-aid have altered State service patterns and total State programs. Available Federal funds for matching purposes stimulate or "persuade" the States in many instances to expend

large sums for an aided program while, of necessity, other needed services are neglected. The public assistance program is one among many examples.

d. In order to provide funds for grants-in-aid, and to adjust to war and depression, the national system of taxation has been expanded until we have extensive overlapping and conflicts on the part of Federal, State and local governments. Of greater importance to State and local governments, the national need for revenue has caused the Congress in some instances to utilize productive tax sources that could be used just as effectively by State or local governments. In this manner, the circle widens. Under pressure to meet needs, Congress appropriates more for grants. In order to secure necessary revenues, the national tax base is expanded which makes it more difficult for State and local governments to secure their own revenue, and hence stimulates pressure from more and more groups for more and more grants.

e. Federal grants-in-aid retard and repress the initiative of the States in financing the growing needs of State and local government, because such grants frequently result in rewarding those States which avoid their responsibility and in penalizing those which accept it.

By the end of the war there were about 25 federal assistance programs. Within six years, the number doubled, amounting to $2.4 billion, still one-half billion dollars short of the 1939 peak. Some of the new programs included free or reduced-cost school lunches for poor children, school construction aid in federally-affected areas, expansion in public health services, and water sewage control.

When the Republicans took over the government with Dwight Eisenhower at the helm, pressure to curb "creeeping socialism" increased and the president appointed a commission, headed by Meyer Kestnbaum, to study how to stop federal expansion. Eisenhower's designs were rebuffed by his own commission, which supported the notion that expansion of federal activity was not a usurpation of state rights, nor was "cooperative federalism" a threat to personal freedom. The Supreme Court has upheld this view, consistently ruling that federal activity in hithertofore uncharted areas is constitutional. Nevertheless, Eisenhower tried to turn over some federal functions to states; but any cuts he tried to make were rejected by Congress.

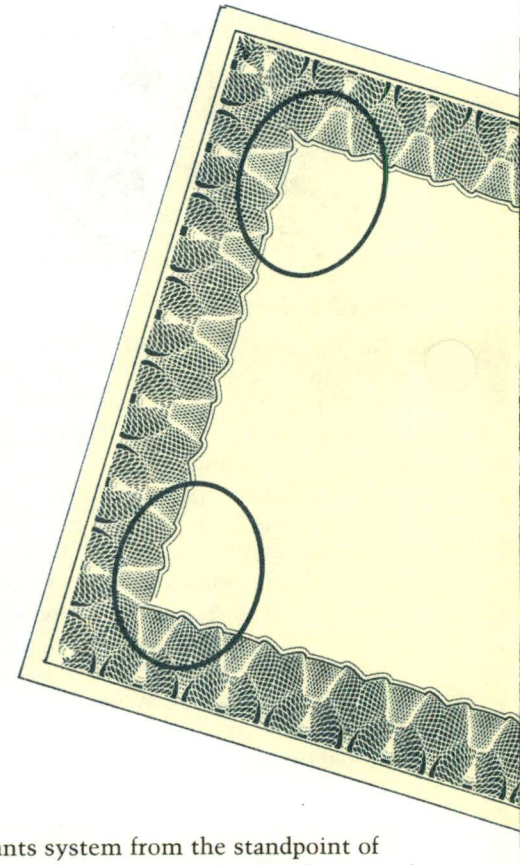
The next major area of funding was science and aeronautics. When the Soviet Union launched its Sputnik in 1957, militarists and national politicians panicked with fear of "falling behind." The National Aeronautics and Space Administration (NASA), established in 1958 to explore space, succeeded in putting the first earthling on the moon in 1969; its budget reached $5 billion in federal aid in 1966. The moon trip cost $26 billion.

Also in 1958, the National Defense Education Act (NDEA) was passed to enhance knowledge in colleges and universities by supporting veterans in school. This was followed by similar acts supporting elementary, secondary, vocational and higher education.

In 1958, federal aid amounted to $2.8 billion, less than one percent of the GNP. Eighty percent of the national budget went to defense and foreign aid; most of the remainder went to road construction. (Today, 25 percent is spent on national defense). Although little was spent on public assistance programs, the grants system still came under attack by organized business. Most of the populace was withdrawn, the mood passive. There had been enough crises, enough programs for the down and out. Now was time to concentrate on "getting ahead."

Business, led by chambers of commerce and associations of manufacturers, maintained that government was too big, too meddlesome in regulating industry and grants programs. A 1952 National Association of Manufacturers bulletin read, "The increasing concentration of political power and economic control in the federal government is destroying the economic and government environment which is essential to the survival of the American system of free enterprise and to the preservation of the American constitutional system of a union of states."

Many governors supported this view, but some state leaders were angry because their states received less from the federal government than the poorer ones. Labor groups, liberals, and minorities supported the evolving



grants system from the standpoint of social welfare. The defense industry and scientific community supported it for the sake of research and development grants. Government officials knew that grants were necessary to shore up gaps in services to needy persons, to stave off rebellions, and to maintain a strong country domestically and in world affairs. So the system moved on, despite complaints by some Republicans. The 1952 Republican Party platform claimed that the Democrats "have arrogantly deprived our citizens of precious liberties by seizing power never granted," and that "they work unceasingly to

achieve their goal of national socialism."

With Eisenhower in power, more money went to highways, aerospace and aeronautics, but more also went to social security benefits and education. Despite the charges of socialism by big business and Republicans, a government study conducted under Eisenhower in 1958 discovered that over $50 billion in subsidies went to big business in one decade (1946-1956).

Mail subsidies	**$5.97 billion**
Business reconversion payments (including tax amortization)	**43.3 billion**
Subsidies to maritime organizations (1937-57)	**3.5 billion**
Subsidies to airlines (1938-57)	**.6 billion**

The study also noted that there was no way of determining the dimensions of the benefits to industry as a result of government actions, such as the tariff laws.

"A significant part of our industrial establishment operates today on Government defense and other noncompetitive contracts, without normal risks, and with profits assured. Some 50 of the nation's largest corporations have received $80 billion in government contracts during the past 5 or 6 years. Such contracts cannot be labeled as subsidies to industry, but they do reflect certain Federal financial support. It is notable, moreover, that the Government generally obtains the industrial materials of defense under contracts drawn to assure profits to the producers, whereas the food for the Armed Forces is procured generally without reference to profits or losses of farmers." So found the Committee on Agriculture in 1958.

The great society

With the Korean War came relative economic prosperity. When it ended, the perennial hope for a full stomach and equal opportunity became an expectation that fanned out to more and more of the have-nots. The cities were decaying, blacks remained social slaves, students were closeted away safe from

the rigors of decision-making, women stooped over stoves and typewriters. Then the cloud burst. *We Shall Overcome* became the anthem for blacks, then for the anti-war movement, women, Chicanos and Latinos, Native Americans, gays, the handicapped. The social revolutionary spirit of the '60s sparked an era saturated with opportunities and frustrations.

The plight of the poor became nationally recognized as social movements, television, and liberation struggles around the world brought greater material expectations and an awareness of potential. A young man became president of the United States and dubbed our era the New Frontier.

There were few grants for the poor prior to the New Frontier. But by the time of John F. Kennedy's assassination, the federal government was geared to include the poor in grants programs. When blacks openly rebelled against racism, the politicos realized that many were ready to lay down their lives for a piece of the pie, and the pie was divided a bit more.

In 1953, grants amounted to $17 per capita. By 1964, the figure soared to $51.30 per capita. The total spent increased from $2.3 billion in 1950 to $7 billion in 1960 and $11 billion in 1965. The biggest increase took place after Lyndon Johnson stepped in to quiet the nation with the Great Society programs. From 1963 to 1965, Congress added 170 new grant programs to the 162 in existence in 1962. By 1969 there were 429 programs, with expenditures approximating $24 billion.

Urban Renewal, begun in 1949 and designed to reshape deteriorating housing, had failed; blacks placed torches to the falling structures. Washington got the message.

Johnson forged ahead much as Roosevelt had 30 years before. There was no time to contemplate goals, effectiveness, overlapping. Get the money to the poor, let them know the government cares. New federal agencies were created to distribute and oversee grants. Old ones included the poor in their services for the first time. The oldest social service agency, Vocational Rehabilitation, had always identified the disabled in terms of physical handicaps; now it extended its training and job placement programs to the socially deprived.

Housing and Urban Development (HUD) got started in 1965, the year of Watts. Next came Model Cities, created out of presidential politics rather than through an organized constituency. Its purpose of coordinating urban affairs overlapped with HUD's. There was no consistent strategy, no realizable goals or measurements.

Critics charged Washington with creating bungling bureaucracies replete with ignorant personnel who eroded individual liberties by advancing the "cause" of centralism. Hostility within the government from older agencies and unconsulted advisors, and from without—states and local governments, businesses, and community groups wanting more power and resources than granted—beset the multifarious Great Society programs from the outset. But the wheels were set in motion for the poor to increase their leverage and economic status. The War on Poverty programs allowed input from private, community groups in a limited but structurally significant way.

In 1965, money was also appropriated to combat heart disease and cancer, expanding public health services. That same year, the Office of Economic Opportunity (OEO) was created. Then came VISTA (Volunteers in Service to America), the United States domestic counterpart to the Peace Corps; then CAP, the Community Action Program. Under the Economic Opportunity Act of 1964, CAPs were funded in 500 locations at $237 million; that amount increased to $628 million in 1966. The rapid starts bypassed public officials and other private groups who clashed with the representatives of the poor demanding *action now.*

Block grants had their birth not under Richard Nixon, but during the Great Society. They were used to bypass reluctant local politicians and to supplement categorical grants which had too many stipulations to meet the urgent needs of the tumultuous mid-'60s.

Model Cities Programs in 70 cities were to coordinate all local interests involved in improving poor neighborhoods. Elections were set up for community action boards, which at first were comprised exclusively of poor people. However, under pressure from local politicians, Johnson had the act amended to allow one-third representation from city government. The poor, once activated, only became more frustrated with endless delays and insufficient results.

Despite the efforts of the Great Society, the cities decayed even more. Sen. Robert Taft of Ohio said, in 1972, that urban America represented "physical decay, crime, congestion, and pollution. It reflects a deterioration of our social fabric, a destruction of our old neighborhoods and a corrosion of the inner city spirit. Urban America has suffered from decades of neglect, commitments that were never fulfilled," The problem was compounded by increasing segregation through white flight, accompanied by an erosion of the tax base, and an antiquated system of local government.

Fair Housing Administration (FHA) insurance encouraged exclusionary housing practices by determining cost of homes on "free market conditions," thereby outpricing blacks and other low-income families. The Interstate Highway and the Water and Sewer Facilities programs of the 1950s also encouraged the spread of white suburbs. And the Housing Act of 1949 was soon used by private enterprise to redevelop demolished areas for profit, not with poor people in mind. HUD replaced earlier urban renewal agencies whose collective actions demolished slums and erected luxury apartments and office buildings. By 1973, only 100,000 housing units had replaced 500,000 low-income homes torn down by federal government programs. This amounted to government subsidies for business profits, rather than substantial relief for the residents. The poor took the attitude that urban renewal meant "Negro removal."

What had happened?

With the proliferation of categorical grants, implementation at the state-local levels had become more complex and inefficient. The Council of State Government study of 1966 found administrative procedures that impeded program goals because of lack of consistency; detailed, diverse and burdensome reporting requirements; confusing and varied cost allowances; arbitrary cost sharing practices; burdensome and disparate accounting rules; separate bank account rules; slow reimbursement; delayed audits; long duration of record storage; separate state agency rules, and lack of information for state budgeting and planning.

Johnson's "creative cooperation" wasn't working. Theodore Lowi, in *The End of Liberalism*, argues that the War on Poverty was a total abnegation of the federal government's responsibility because it failed to define a conception of poverty or to define a methodology for attacking it. "The most innovative pro-

gram, CAP, was simply an open-ended invitation for local groups to define their own policy that inevitably clashed with all levels of the power structure."

Johnson had illusions of reshaping America from Washington, D.C. But the United States' pluralistic system, the financial drain of the war in Vietnam, bureaucratic resistance to change, and the stubborn facts of interest group politics coupled with higher expectations of the good life and equal opportunity, resulted in growing discontent. In the summer of 1967, unprecedented numbers of Los Angeles protesters, some 20,000, greeted Johnson with picket signs, and angry voices. He decided not to run for reelection. The next year was the year of Tet and Nixon. The crumbling Great Society was to be replaced with New Federalism and an end to federal financing of "rabble rousers."

The new federalism

Middle-class America and business interests, fed up with poverty programs, riots, street demonstrations and programs which took huge chunks out of wages and salaries, yet seemed to go nowhere, voted for Richard Nixon, who laid out the agenda for New Federalism during his 1969 campaign. "A majority of Americans," he declared, "no longer support the continued extension of federal services." Federalism had traditionally provided for a strong central government. Nixon promised to decentralize its power; to restore "a rightful balance between state capitals and the national capital; to share federal tax revenues with state and local governments; and to eliminate categorical grant programs in favor of block grants, which, he contended, would allow state and local officials to use their "unique strengths" in running governmental programs. He spoke of shifting the focus of domestic assistance programs from service to coordinating administration, from federal control to local control, from big government domination to more private enterprise.

Revenue sharing had had its beginnings in 1958, when Representative Melvin Laird introduced it into the Congress. It failed to pass. Laird later became Nixon's Secretary of Defense. Walter Heller presented a different version, supportive of categorical grants, in 1960, but it also went nowhere. Due to the mounting criticisms of Johnson's categorical programs, none of the 30 revenue sharing bills introduced in the mid-'60s passed Congress.

Nixon's efforts to institute revenue sharing and to consolidate categorical grants failed at first. He impounded OEO funds, which he considered a waste of money. By 1971, his cause attracted greater attention as it became more evident that categoricals were not meeting the domestic needs.

While Nixon emphasized foreign policy at the expense of such domestic programs as Model Cities, HUD floundered for direction. In 1972, Congress passed Nixon's long-awaited State and Local Assistance Act—general revenue sharing—and appropriated $30.2 billion in federal funds for 38,000 state and local governments over five years.

Revenue sharing was viewed with apprehension by the National Urban Coalition and other organizations that feared the funds would be wasted by local officials, that poor people would not get as much of a break at City Hall as in the corridors of Congress, and that government employees, especially law enforcement personnel, would take much of the money for wage hikes.

What passed was not pure revenue sharing, since there were fixed sums unrelated to revenue yield—the amount was determined by automatic increases in annual taxes from new taxpayers. It was designed to decentralize government control, to aid domestic needs through the local level, to stabilize or reduce local taxes, especially property tax, to equalize fiscal conditions between rich and poor states, and to alter the nation's overall tax system through income tax, rather than property and sales taxes. Distribution extended to all counties, municipalities, states, 323 Native American tribes and Alaskan villages and townships.

The findings of a 1974 Brookings Institute study, published in *Monitoring Revenue Sharing* by Richard Nathan, Allen Manvel and Susannah Calkins, showed that the expenditures amounted to 15 percent of all federal aid to state-locals. Much of the money did go where dissenters had feared it would: police departments, increase in personnel wages, and services unrelated to welfare and the poor. About half the money was used to support existing programs that had previously been financed by other sources. New programs consisted of transportation and environmental protection, recreation and police.

Groups combined to protest the use of the funds. The National Revenue Sharing Monitoring Project charged that the government: allowed the cities to get "blacker and poorer and the suburbs whiter and richer by perpetuating the status quo with no requirements to share the wealth; fostered racial discrimination in employment practices of state and local government; failed to inform the public adequately about how revenue sharing funds were being spent; used funds to prop up antiquated state and local structures and tax systems."

Anetha Smith of the federal Office of Revenue Sharing told the NEWS that criticisms were "corrected" in the 1976 renewal, which alloted the same annual expenditure until 1980. "Its complexion has changed somewhat," she said. "It still keeps taxes down, and also creates new service programs to aid citizens."

Smith says there is more citizen participation in decision-making, although critics counter that citizens have no meaningful say at the public hearings, that their voice is only advisory, and comes late in the planning process.

Smith stressed the stronger restrictions against discrimination enacted in the renewal law. She also cited two cases where the government cut off money and sued the cities for discrimination against blacks in the use of revenue sharing expenditures. In Chicago, $113 million was cut off because of police department discrimination in the hiring and upgrading of blacks. The money was reimbursed when the government determined the practices had been stopped.

A landmark legal decision was drawn in *Andrew Hawkins et. al. vs. Shaw, Mississippi*. The U.S. Court of Appeals ruled in 1970 that blacks had been neglected by the city's use of the funds in police and fire departments, and in upgrading an exclusive white part of town solely. It also ruled that to be illegal. The grants were resumed once the "situation was corrected," according to Smith.

Smith thinks the program will become permanent and bigger. Most local officials surveyed prefer revenue sharing to categorical and block grants, because

One of the ironic features of revenue sharing is that it has slowed the flow of grants to private enterprise--the direct opposite of what Nixon and Republican theorists stand for.

they have more power and flexibility of funds.

One of the ironic features of revenue sharing is that it has slowed the flow of grants to private enterprise—the direct opposite of what Nixon and Republican theorists stand for. Government officials admit that the money goes where local politicians decide—more for government purposes, less for enterprising black organizations, such as those previously funded by Model Cities.

Commenting that Administrators and politicians aren't listening to the needs of the poorer communities as much, Pablo Eisenberg, director of the Center for Community Change, says, "It's much harder for an activist to get anything from local politics." Other critics maintain that revenue sharing didn't achieve its purposes of changing the tax structure. California's Proposition 13 may do that, yet its net effect will be more centralism, since nationally administered income taxes will be the ultimate answer to a continuing decrease in property taxes, and the federal government may have to intervene all the more to bail out state-local service needs.

What couldn't be done through limited revenue sharing funds, Nixon hoped to accomplish by pushing through more block grants to states.

As the number of categoricals increased, officials on the budget level were concerned about the inability to transfer federal aid funds from one closely related category to another. This problem was acute in the public health field. The first block grant, the 1966 Partnership for Health, allowed monies to be dispersed as the need called for, within broad guidelines. It also consolidated nine categorical grants and closed some administrative gaps. By 1976, $90 million was being expended to states.

The Omnibus Crime Control and Safe Streets Act, passed just before Nixon took office, was dispersing $405 million for law enforcement improvements by 1976.

The first Nixon breakthrough in block grants was his answer to unemployment. The 1973 Comprehensive Employment and Training Act (CETA) consolidated 17 categorical programs, including all of the War on Poverty manpower programs. Advocacy programs were replaced with coordination efforts and money for jobs chosen by local politicians. Ironically, Nixon instituted a program similar to the WPA, with local rather than federal government officials calling the shots.

In its first year, CETA outlays were $2 billion. In 1977, President Carter expanded CETA and got $11 billion appropriated to include 725,000 countercyclical jobs in 1978. Congress has lowered that number to 625,000 government funded jobs in 1979. A portion of those workers aid private social service organizations such as child care centers, teenage programs and public schools.

The Housing Community Development Act of 1974 consolidated six categoricals, including community action programs. By 1976, $750 million was expended under this program by state officials. The last block grant was instituted that year. Title XX (Social Services amendment to the 1935 Social Security Act) spent $2.36 billion in 1976. States have unlimited authority to develop social services of their own design, to enact them where desired without uniformity, and to extend the number eligible to include moderate income people.

By fiscal 1976, the categorical portion of the $60 billion federal grants-in-aid had decreased from 98 percent a decade earlier to 79 percent, while block grant aid was nine percent and revenue sharing and general support amounted to 12 percent. (The 1977 Catalog of Federal Domestic Assistance, compiled by the Office of Management and Budget, listed 1,046 programs administered by 55 federal agencies. Thirteen more were added in 1978, along with another federal agency).

The Advisory Commission on Intergovernmental Relations' (ACIR) study of 1977 found that block grants resulted from "historical accident and the politics of compromise," and are little understood. The study concluded that, in fact, block grant programs provide *more* local discretion; administrative, fiscal reporting, planning and other federally imposed requirements are kept to a minimum; and the statutory distribution formula narrows federal administrators' discretion.

ACIR concluded that although improved economy and efficiency do not necessarily follow block grant dispersal, fewer personnel are now employed in central and regional offices than before categorical consolidation. However, the extent of decentralization "has been limited by a tendency called 'creeping categorization.'" Congress adds earmarking to activities within the scope of the block grants, building more categoricals around it. Since the first block grant in 1966, for example, 18 new categoricals surround the Partnership for Health grant.

Congress has also resisted putting more block grants into the budget. Several proposals to curb categorical programs have been defeated. President Gerald Ford's attempt to condense 59 categoricals into four block grants for health, education, child nutrition and community social services went down as well.

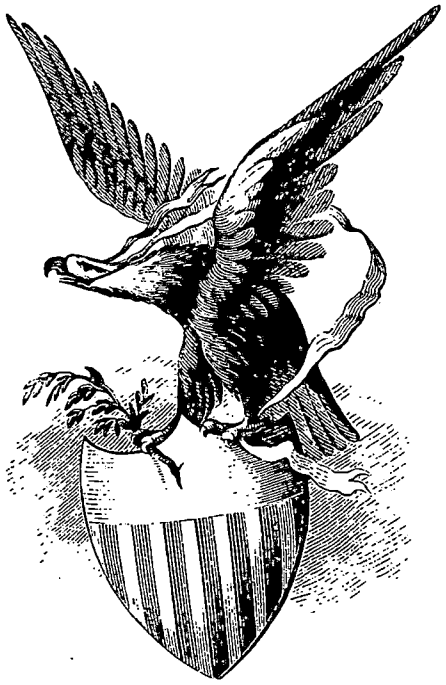
In the era of New Federalism, categorical grants were far from eliminated; they were nearly doubled. By the time Nixon left office, there were 442 categorical grants, accounting for $45 billion. About 60 were reduced as a result of consolidations. Many of these eliminated funding to private groups more apt to protest social conditions. Over half the entire federal budget was expended on social welfare (including social security, veterans' benefits and pensions), comparable to more than $1,000 per person in the country per year. Under Johnson, the average figure was $391.

Despite Nixon's complaints about the profligacy of previous administrations, he spent more. He consolidated and decentralized programs. The Federal Assistance Review standardized 15 areas of administration of grants to state-locals. Now there are only four standard reporting forms, instead of the 53 forms previously used.

Yet some saw New Federalism as merely "romantic rhetoric," a facade behind which Nixon's national government abrogated its domestic role. Others, including liberals, maintained that besides taking power away from citizens groups, Nixon actually increased the national government's domestic role. Indeed, he increased food stamps tenfold, set minimums for the aged, blind, and disabled, and gave automatic adjustments in social security benefits. He tried to get a national family assistance program implemented in which the federal government would fund all depen-

dent children and the working poor. But conservatives joined with obstinate liberals to defeat this radical plan.

Richard Nathan wrote in *The Plot that Failed*, "With general revenue sharing enacted, the new order of march, in short, was to take over the bureaucracy and take on the Congress, to concentrate on administrative steps and correspondingly to downgrade legislation as the principal route for bringing about domestic policy change." Nathan was Nixon's assistant director of the Bureau of Budget from 1969 through '71.



Today and tomorrow

Jimmy Carter has not changed the grants-in-aid yet. Critics claim not enough is being done, and fears mount that the cities are worse off than ever. Moreover, it is predicted that in 20 years, over 80 percent of the people will live in 23 mammoth urban regions.

Health, Education and Welfare, with a budget of $130 billion—more than any national budget other than the USSR—concluded that the poor in the United States are handicapped by hunger "as seriously and in some cases more seriously" than people in Third World nations. And *Newsweek* magazine stated in its August 7, 1978, issue that America is in danger of losing a generation of black youth. "The slums of the nation's aging and blackening cities have bred a population of young people for whom the norms of existence are unemployment, crumbling neighborhoods, fatherless homes, failing schools and dependency on the dole—or crime—as a means of survival."

Newsweek reported "The problem remains that the work is not there." According to government statistics, 30 percent of all blacks fall below the poverty line.

Urban League President Vernon Jordan said this summer that much of the blame for the horrendous conditions rests on a "new negativism...the overwhelming attitude by the majority of Americans that black people are getting more than their due...that they have gotten too much attention by government and government programs."

The prevailing mood during Nixon's administration was large-scale quiescence. Yet federalism has not changed much. "The legal authority to impose whatever degree of restrictiveness it wishes exists unquestionably in the national government," wrote Michael Reagan in *The New Federalism.*

Also intact is the guarantee of a republican form of government; protection against invasion and domestic turbulence; statehood integrity and borders; and an ever-testy balance of power relationship between federal, state and local governments.

As Michael Reagan told the NEWS, "We have one national standard with strong federalism." Given our "single national economic structure with more and more communication and transportation," there can be no other way.

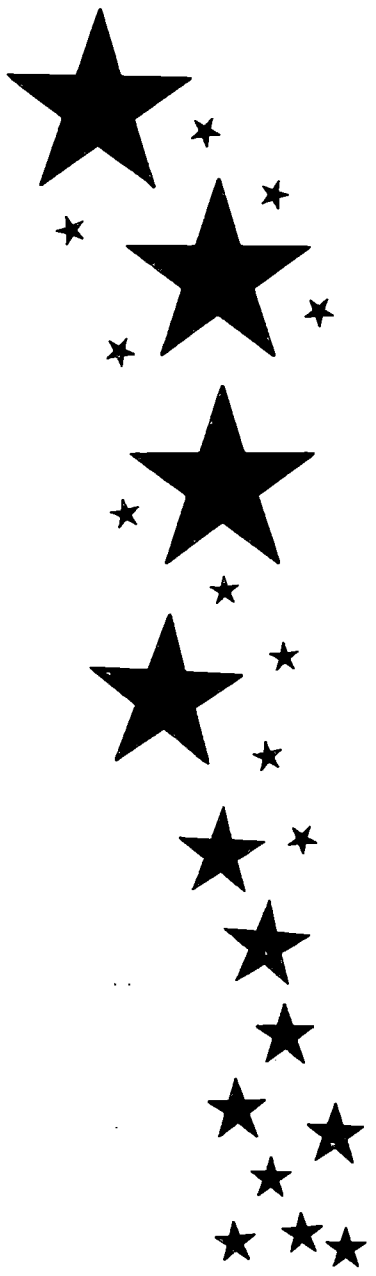
Still, there are serious problems confronting government and the grants system. Neither the government nor the economic system can afford to grow piecemeal. For order and liberty to persist, many experts believe, there must be greater planning, more centralization, and nationalization of standards and programs.

The War on Poverty, the anti-war and civil rights movements have had a permanent effect on the consciousness of all Americans. The loss of credibility in government caused by Vietnam, Watergate, disclosures of illegal acts by the CIA and FBI, and the rising tide of consumerism all highlight the need for making government more accessible to the average person, who more and more expects his/her needs to be met. The chorus of poor people, ethnic groups and students voicing anger and frustration has been amplified by the voices of the middle class.

What to do?

The Advisory Commission on Intergovernmental Relations and the Brookings Institute both maintain that the mixture of categoricals, blocks and revenue sharing appears to have become a permanent fixture in intergovernmental relations. Federal grants are inherently complex; their number and variety make them cumbersome to manage in a uniform and simplified way. They will remain with us, however, because of the necessity for governments at every level to rely on each other, to share their resources, and to deal cooperatively with the problems that affect us all.

Ron Ridenour has written for The Nation, Skeptic *and other national magazines.*



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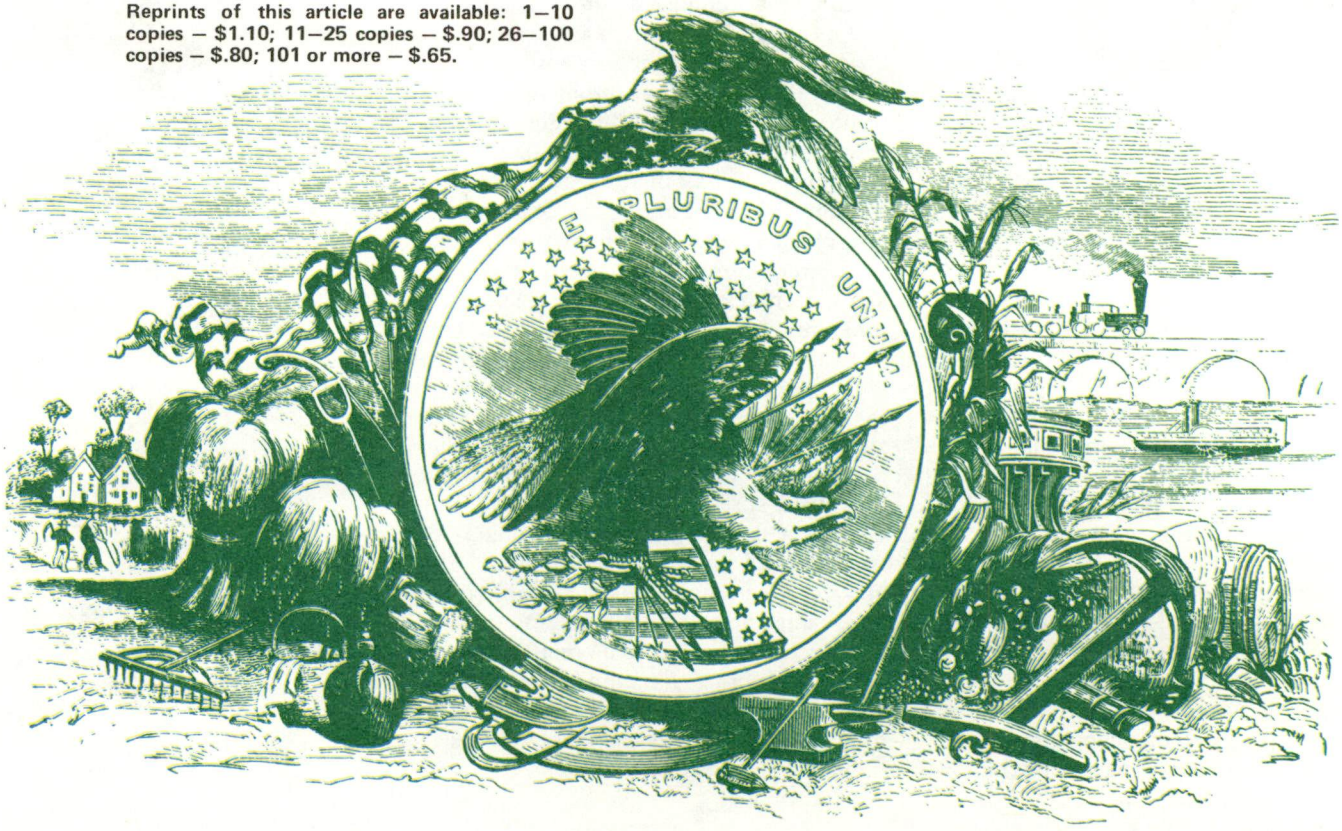
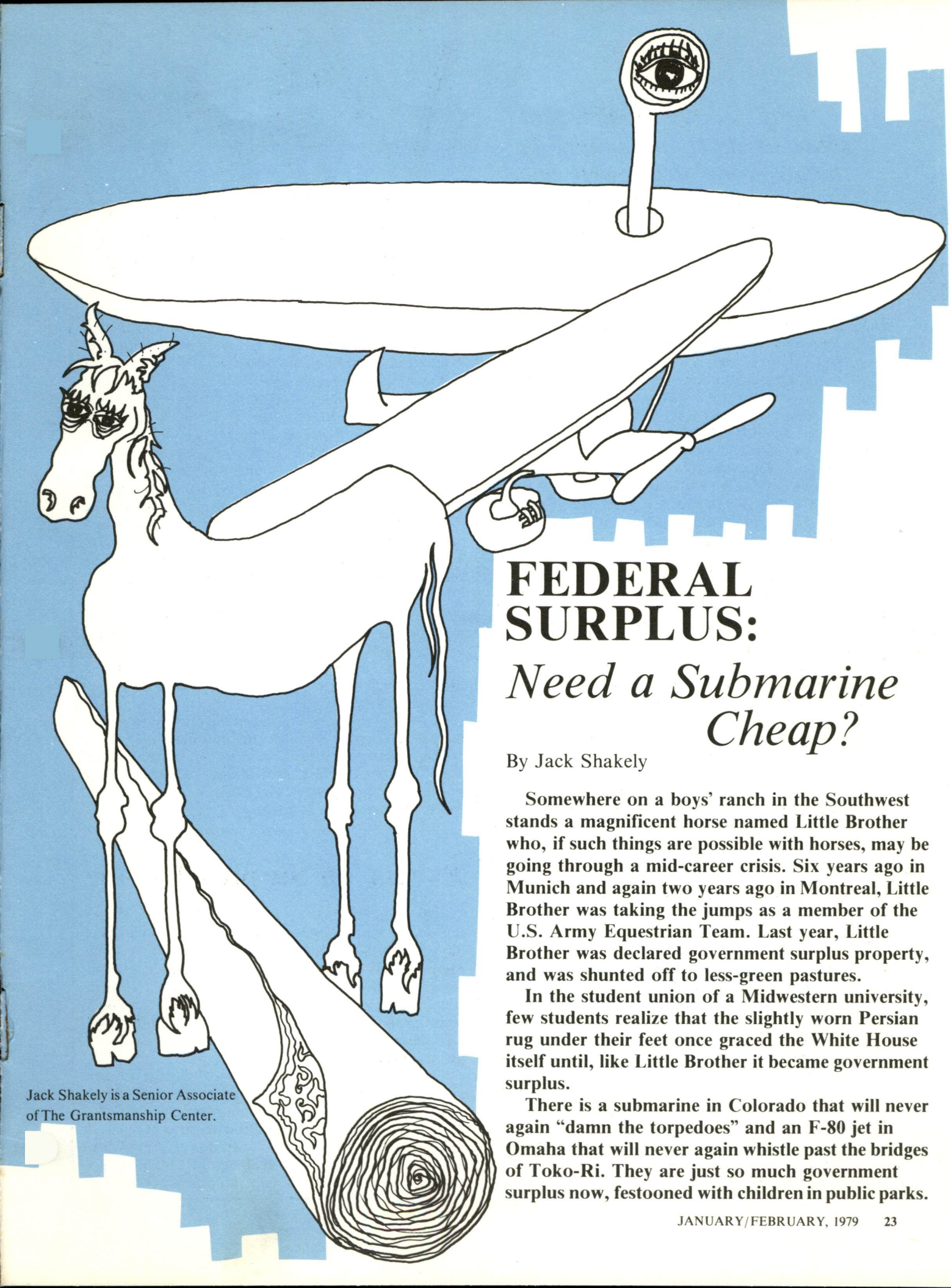




FEDERAL SURPLUS:

Need a Submarine Cheap?

By Jack Shakely

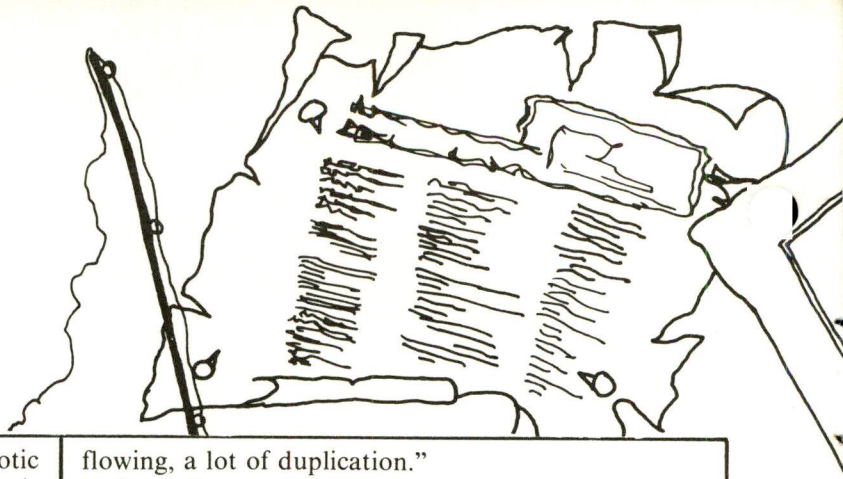
Somewhere on a boys' ranch in the Southwest stands a magnificent horse named Little Brother who, if such things are possible with horses, may be going through a mid-career crisis. Six years ago in Munich and again two years ago in Montreal, Little Brother was taking the jumps as a member of the U.S. Army Equestrian Team. Last year, Little Brother was declared government surplus property, and was shunted off to less-green pastures.

In the student union of a Midwestern university, few students realize that the slightly worn Persian rug under their feet once graced the White House itself until, like Little Brother it became government surplus.

There is a submarine in Colorado that will never again "damn the torpedoes" and an F-80 jet in Omaha that will never again whistle past the bridges of Toko-Ri. They are just so much government surplus now, festooned with children in public parks.

Jack Shakely is a Senior Associate of The Grantsmanship Center.

Many . . . don't realize that some subtle changes made in the government property law in 1977 have totally changed the surplus property picture.



Government surplus property is not often this exotic (nor is its fate this melodramatic), but its quantity is enormous. Every year the federal government declares more than $4 billion worth of goods as excess. Of this amount, about $3 billion worth, 50 percent more than all the foundations in America combined dispense in grants, is subsequently declared surplus (we'll discuss the difference between excess and surplus later).

Perhaps as much as $400 million of this surplus finds its way to eligible nonprofit organizations and local governments. Once a surplus item is acquired the only restrictions are that it be used within a year and for no less than a year (or, in the case of items costing over $3,000, 18 months). Unfortunately, most nonprofit organizations know so little about the government surplus system that they have no idea whether they are eligible or not and fail to take advantage of it. Most groups that know they *are* eligible have no idea how to make the system work for them. "It's all just a bunch of junk," one person in New England said recently. "It's all so picked over that we don't even bother anymore. It's not worth the effort."

It *is* worth the effort, but an effort is what it takes. The New Englander quoted above said that the last time he checked on surplus property was "three or four years ago." Unfortunately, he and many others don't realize that some subtle changes made in the government property laws have totally changed the surplus property picture. The new law, which became effective in October, 1977, significantly changed the eligibility criteria. It also transferred the control of surplus property from HEW, a department which had no business handling the property in the first place, to the General Services Administration, and disqualified many agencies from applying for excess property. The effect of the new law is only now beginning to be felt, but it looks as though federal surplus property is growing in quantity and, more important, in quality.

Federal property has increased so significantly, in fact, that it outgrew its old system of distribution. According to George Kinney, director of the Donations Division of the General Services Administration, "When the law creating GSA and the surplus property program first came out in 1949, the initial donees were health and educational activities only; then later, civil defense. So it made a lot more sense that HEW should have it [the surplus property program] in those days." Even so, the program was a bureaucratic nightmare. "Under the old system," Kinney says, "we told HEW there was property, they distributed it, then told us when and where. There was an awful lot of paper flowing, a lot of duplication."

According to an ad hoc interagency study group report issued by the Office of Management and Budget in 1974, there was also much misuse of excess property. Under the old system, any recipient of a federal grant automatically became eligible to receive excess. Since property becomes excess before it becomes surplus, agencies which were plugged into the excess property program had a crucial advantage.

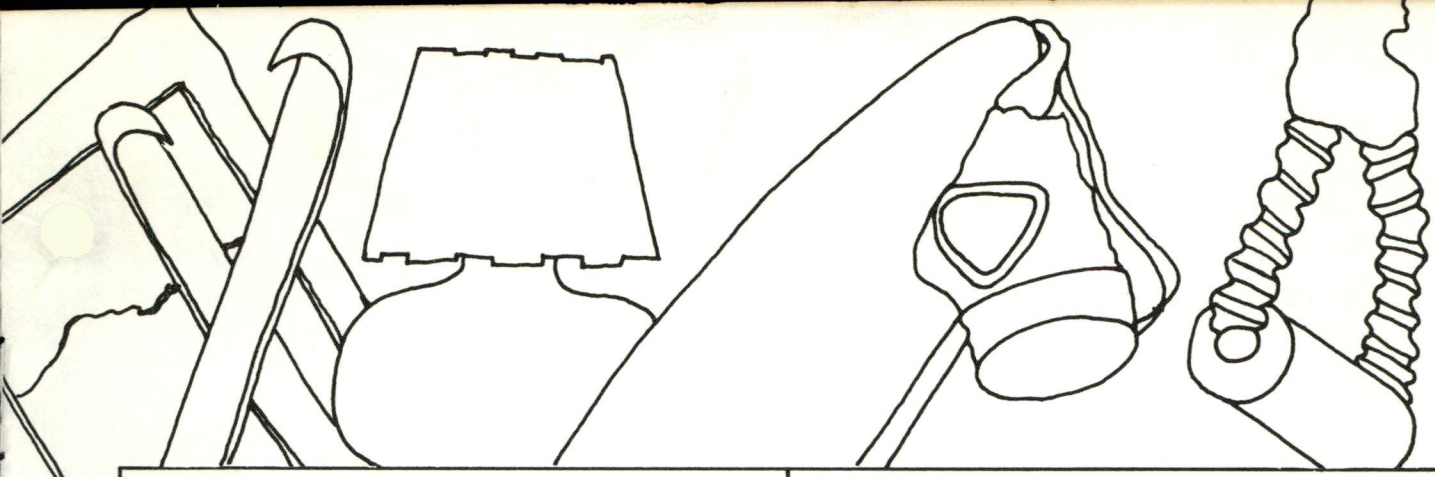
Upon receiving grants, stated the report, some of these institutions often mounted "very aggressive efforts to obtain excess property." Some were so aggressive that they were able to acquire property far in excess of the amounts of their grants. "There was substantial evidence," the report said, "that grantees were requesting excessive quantities of items, and in many cases property was requested in bulk on the basis of availability rather than need." There was considerable evidence of stockpiling and, again quoting from the report, "Institutions were obtaining property for institution-wide uses. These institutions were using their grants as a basis for requesting the loan of property, but were using it for purposes unrelated to and not financed by the grant."

In effect what was happening was that some nonprofit agencies had become so adroit at getting excess property that they were skimming off most of the desirable items before they could become surplus available to other groups. The 1977 law put an effective end to this pattern.

Excess To Surplus To Sale

The terms "excess" and "surplus" are sometimes thrown around loosely, but there is a significant difference between the two. This distinction was vague prior to 1977 because many nonprofit agencies had access to both types of property. Now that the door to excess property has effectively been closed to nonprofit organizations, however, it is important to understand how federal property moves to the excess and then to the surplus category.

"Excess property is the first step," George Kinney explains. "When one federal agency has something they no longer need, they circulate that property internally. They will check their own departments, their bureaus. If there isn't any use for it, they report it as excess to GSA. We then circulate the availability of that property through catalogs, through our utilization specialists in



our ten administrative regions (there are 35 area-utilization officers located in areas of major excess property generation), and through all federal activities for use by the federal agencies for their project grantees or cost-reimbursable contractees.

"If during that screening, which normally takes 60 days, there is no federal requirement, the property is then declared 'surplus to the U.S. Government requirements,' thus converting from excess to surplus."

This was the advantage nonprofit grantees enjoyed under the old system. Prior to 1977, a nonprofit organization which understood the system could compete with federal departments as an equal in securing excess property. With so many people grabbing, it was little wonder that the property that made it into the surplus category was often, as the man from New England described it, "junk."

Actually, the new law (PL 94-519) still allows nonprofit grantees to obtain federal excess property, but it added a kicker. Now the grantee must obtain the excess property through the federal agency making the grant, and the federal agency must pay 25 percent of the original acquisition cost of the property. While this certainly discourages wasteful stockpiling and some of the other property misuse mentioned earlier, it creates some other problems. Twenty-five percent of acquisition costs may be almost 100 percent of present value. The new payment requirement also effectively prevented some federal agencies from using excess property as a way to stretch grant dollars.

One agency that found the 25 percent rule particularly distressing was the Community Services Administration (CSA). Their project grants were going directly to the poor, CSA officials reasoned, and poverty programs such as weatherization, neighborhood revitalization and economic development were big users of the very property that normally became excess. In addition, and particularly galling to CSA, surplus distribution policy under the new law continued discrimination against welfare agencies. Even when the program was administered by HEW, though the "H" and the "E" organizations had always received their share, the "W's" had to scramble. They had been scrambling through the "excess property to grantees" loophole, but the 25 percent rule closed it up. This made CSA hopping mad, and they applied to GSA for an exclusion.

The precedent to exclude an agency was already established. From the outset GSA had exempted four types of property from the 25 percent rule:

1. Scientific equipment furnished in connection with grants from the National Science Foundation;
2. Property furnished to the Department of Agriculture for its Forest Fire Cooperative Program;
3. Property furnished under certain provisions of the Foreign Assistance Act of 1961 (such as equipment for the Peace Corps), and
4. Property furnished in connection with federal grants to recognized Indian tribes and Indian groups.

GSA was not sympathetic to the Community Services Administration's request for exclusion, however. "Many agencies besides CSA have asked to become exempt," Kinney says. "The Agriculture Extension Service is another example. Of course, we are continually monitoring agencies who used to be eligible for excess, but now are not, to see how they fare with surplus." According to Kinney, however, to open up agencies for exemption would be going in opposition to the intent of the 1977 law. "Congress looked at this program for over two years. Their report showed that there were some 28 ways to obtain excess and surplus property, and they wanted to tie it up for a fair and equitable distribution," Kinney says. CSA continued to press its request for exclusion through legislation, but the bill to exempt it (S.B. 2134, introduced by Senators Stafford, Leahy and Kennedy) died in the Committee on Governmental Affairs.

Community action groups need not despair, however. Even if you're unable to obtain excess property, you can still tap into surplus, which does not require the 25 percent payment by a federal agency and which may be purchased at discount rates that are often phenomenally cheap.

Surplus is distributed at the state level by surplus property agencies established especially for that purpose by each state (and by the District of Columbia, Puerto Rico, the Virgin Islands and Guam). Each state office is part of one of four regional "zones" into which GSA's ten administrative units are divided:* the Northeast makes up the Washington, D.C. zone, the eight Southern states comprise the Atlanta zone, the 15 states of the Midwest and Southwest are combined into the Fort Worth zone, and the Western states make up the San Francisco zone. A state office shares initial priority with the others in its zone for the surplus that becomes available in that region.

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* The ten administrative units were divided into zones in order to distribute the surplus property as evenly as possible. The majority of items for surplus are generated out of the East Coast, the South, the Southwest and the West Coast. "That's where your major Department of Defense contractors, DOD bases and NASA facilities are located," Kinney comments. The upper Midwest has very few.

One of the most sweeping changes made by PL 94-519 was the increase in the number of types of agencies eligible for surplus property.

"We didn't want someone to be eligible in one state, and just across the line have the same type of activity be ineligible."

Who Is Eligible?

One of the most sweeping changes made by PL 94-519 was the increase in the number of types of agencies eligible for surplus property. It is important to remember that every agency, even if it has received surplus property for years, must reapply under the new law.

Basically, there are three groups of eligible organizations. First, and largest, is the public agency. This group includes all state, county, municipal and local government units, and any of their subdivisions. The blanket of "public agency" is large, including economic development districts, state commissions, judiciaries, Indian tribes, bands and pueblos, councils of governments and sub-state districts. Airports which are publicly owned are also eligible.

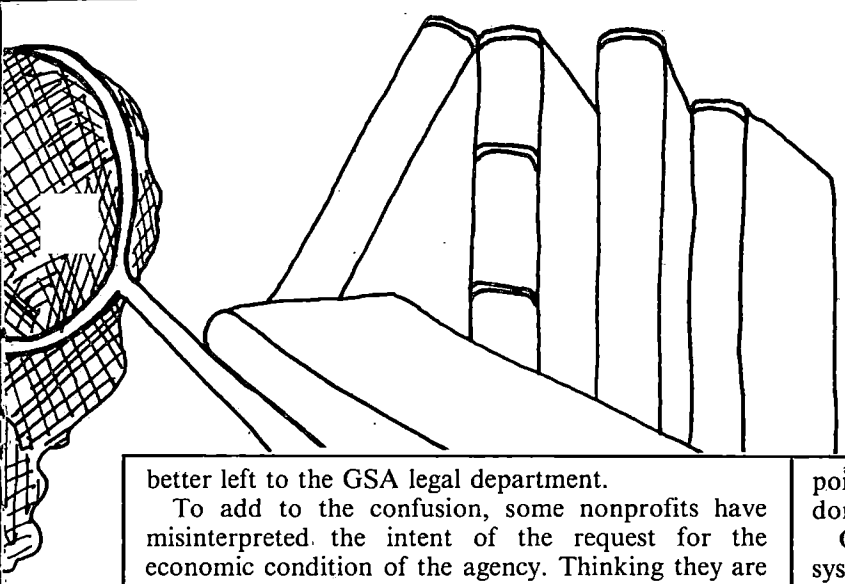
The second group is nonprofit health and education agencies, with a few other nonprofits thrown in. These include hospitals, medical clinics, medical research organizations, health centers, schools, colleges, universities, schools for the mentally retarded and physically handicapped, child care centers, museums, libraries, public radio and public television stations. Every nonprofit organization must also show evidence of nonprofit status by the IRS, which means a 501(c)(3) letter of determination. Interestingly, although the IRS determination is required, it does not assure an organization of acceptance. Even though the IRS may qualify an organization as "nonprofit educational," the organization must also prove that it is accredited by a recognized accrediting association or that it is approved by the state as an educational institution (often meaning that credits earned can be transferred to other educational organizations).

Why the new law doesn't accept the IRS ruling at face value is something of a mystery. Most state surplus directors are very much in favor of a liberal interpretation of eligibility, and the paperwork involved in determining eligibility is now enormous. If there is any doubt that a nonprofit organization is eligible, the state is required to send the determination to the GSA regional office which checks on the appropriateness of the decision and forwards the information, along with its comments, to George Kinney's office. "Initially, we wanted all inquiries to come into the central office for our legal staff to look them over, so we would have a uniform eligibility system nationwide," Kinney says. "We didn't want someone to be eligible in one state and, just across the line, have the same type of activity be ineligible." As it turns out, some states have interpreted the law in such a way that uniformity can never be assured, no matter how hard GSA tries. Yet the inability of GSA to accept the IRS determination of educational institutions is another example of how the federal government more often resembles the 17th century Italian city-states than a cohesive and functioning system.

The best that can be said about this determination system is that a nonprofit agency that has been turned down by a state might wish to appeal the decision at the regional or national level. The worst that can be said about it is that it wastes millions of dollars every year.

The third group of eligible organizations is a little unusual. These are the organizations which conduct activities called "service educational activities of interest to the Department of Defense." Falling within this group are the Red Cross, civil air patrols, Boy Scouts, Girl Scouts and the boys' ranch that got Little Brother ("The General's wife took a great interest in that boys' ranch," the state surplus officer said). One might wonder why service educational activities of interest to the Department of Labor, or CSA for that matter, are not eligible. The answer is probably far simpler than students of government intrigue would like: the Department of Defense generates almost 80 percent of all the surplus property in the federal government, and therefore carries a big stick.

Agencies which fall under any of these three categories are still not home free in every state, due to a clause in the new law which requires "fair and equitable distribution" of property. Although the "fair and equitable" rule was meant to apply to the distribution of property by GSA among the states, some states, such as California, Utah and Pennsylvania, apply it to nonprofit organizations, and carefully evaluate their applicants as well. California asks all surplus-seekers to provide a narrative description of their sources of funds, the economic condition of the agency (including any extraordinary economic problems) and the availability of funds to keep the property in repair, along with a general statement of the nature and types of property needed. Other states simply ask applicants to fill in boxes describing funding sources and one-word assurances of availability of funds to repair property. Illinois asks for the per capita income of the residents served by the organization, the unemployment rate, the population and square miles of the area served. Most states don't ask for anything at all. How anyone could expect uniformity under these conditions is a question



"We can't just tell a state, 'Here is property for you.' They have to request it after we make it available. If they don't request, we can't give it to them."

better left to the GSA legal department.

To add to the confusion, some nonprofits have misinterpreted the intent of the request for the economic condition of the agency. Thinking they are applying for a grant, they stress the economic frailties of the organization to establish need. Actually, the information is requested to demonstrate the economic stability of the organization.

How Surplus Property Gets To The States

In order for local governments and nonprofit organizations to get surplus property from the states, the states must get the surplus property from the federal government. Here is where the "fair and equitable" rule is most often applied. Each state is given an "allotment"—a ball park figure of what is "fair" for each state derived from a formula based on state population and per capita income. "Bear in mind," Kinney says, "the amount a state takes depends on its aggressiveness and the size of its program. We can't just tell a state 'here is property for you.' They have to request it after we make it available. If they don't request, we can't give it to them."

One of the people doing the requesting is Homer Carter, director of the surplus property program for the state of Oklahoma. Oklahoma received more than $10 million worth of surplus last year, not bad for a state whose entire population is smaller than that of Los Angeles.

"The first thing we do is check out the computer print-out from Fort Worth," Carter said. The computer system, which was initiated in July, 1978, and became fully operational in September, 1978, has made life a great deal easier for people like Homer Carter. Seven days before the end of the 60-day excess property cycle, the excess property is fed into the regional computers for inclusion in the surplus property print-out. While it is possible that some items will still be claimed during these last seven days of the excess cycle, it is assumed that if no other federal agency has requested the item in 53 days, the item is on its way to surplus. After an item has been declared surplus, it may remain on the region surplus list for 21 days. After that time, it is declared eligible for sale. Theoretically, state offices have 28 days to claim the surplus goods—seven days before it becomes surplus, and 21 days after. But, as Carter points out, "If I don't get it in two weeks, chances are I don't get it."

One of the great advantages to the new computer system (a system that junk yards across the country have used for more than a decade) is that state officers like Homer Carter now know not only what is available in their own region, but where items are all across the country. State property directors work closely with each other. "If I see something coming up in Iowa that I need, I notify the state agency there," Carter says. "They will pick up the items for me, just as I will pick up items for them. When we accumulate enough items, we will swap. This saves on transportation costs."

Every state property program also has its own screeners who frequent DOD depots, military bases, etc. These screeners are sharp assessors, most of them having been trained at a screeners' school conducted by the Army Logistics Management Center in Fort Lee, Va. Screeners learn which items are most in demand—such as vehicles, desks, typewriters and low-cost consumable items—and where to look for them.

One way for nonprofit organizations and local governments to get better surplus items is to submit a "want list" request to the surplus office in their state. This is a simple standard form that states what items the agency needs and how they will be used. Armed with these "want lists," the screeners often can fulfill very specific, even weird, requests. "I had a request for a Purple-K and Light Water Unit," says E.P. Massoth, chief of surplus property for Pennsylvania. "It turns out to be a form of fire-fighting equipment, but at first submission it shook me to my roots." A property manager in Alabama was asked to find some goats. In Colorado, there was the two-man submarine. All of these requests were filled.

Most of the nonprofit organizations queried for this article didn't know a "want list" even existed. Agencies seeking surplus property have to approach their state surplus offices as aggressively as the state offices approach the GSA offices in their respective zones and in Washington.

Of course, the want list for some items, vans for example, can sometimes get very crowded. "We have over 250 names on the want list right now for a pick-up truck," Carter said. In order to determine which of the 250 should receive a pick-up when it is available, Carter and the other state directors employ a ranking system consisting of a five-point grading scale in each of three areas: need, usability and financial resources. "We ask that all requests be in writing, with some explanation of the use of the property," Carter says. If this sounds

A computer that was purchased by the government for $3 million was sold as surplus to Alabama A & M University for $12.50.

If . . . "You simply don't know what you're getting," chances are you don't know where to look.

familiar to a grant writer, it should.

Another way for eligible organizations to improve the quality of surplus goods available to them is to apply for a screener's card for their own agency. This card allows the agency to visit the depots right along with the state's own screeners. Just how an agency qualifies for a screener's card is somewhat vague. The law states that the screeners should be qualified, but doesn't elaborate on what constitutes "qualified." "We make sure they are qualified," Carter says, "by having each screener come in for a briefing, then work with our screeners until they become conversant with the system." The advantage to having a screener's card is obvious, and the best way to see if you are qualified is to apply.

The Cost Of Surplus Property

Surplus property is not free, but often the value of the items bears little relationship to the acquisition cost. A computer that was purchased by the government for $3 million was sold as surplus to Alabama A & M University for $12.50. Not bad, even if the computer needed a few repairs.

States base the price of surplus items primarily on how much it costs them to transport the goods; they may also charge from one to five percent of acquisition costs (most often on low-cost items) and just a bit of overhead. State surplus property programs are self-sustaining, generating their income from the sale of the property. This is one of the reasons that most state agencies don't care how many eligible agencies there are. The more applicants, the faster they can move the goods. To move the items quickly, most states publish surplus newsletters. Although many of the newsletters look like they come directly out of Army issue ("Film, Anscochrome, D/200, 35 MM- new"), some look like the weekly shoppers we all find in our front yard from the local discount house. The Illinois surplus program is one of the most lively. Its May, 1978, bulletin carried this bit of copy, illustrated by a drawing of a dog panting in the sun: "On those dog days, play it COOL with values that save you money!!!! Water coolers in good condition, $10 to $25 . . . . refrigerators from $20 to $25 WHILE THEY LAST." A Grantsmanship Center staff member swears he saw a sign at a Virginia surplus property depot that read, "Heart-Lung Machine, originally $25,000—this week only $2.50."

A quick look at any of the state property lists can quickly boggle the mind. Here is a partial list from Homer Carter and the state of Oklahoma for January, 1978:

Chapstick	$.05
5 Channel Recorders	$25.00
Records, 33 1/3 rpm, Good Selection	$.25
3/4 Ton Dodge Engines (in metal containers	$75.00
Crock Pots, Reg. $1.50	Special $1.00

It is true that a lot of the surplus property is "junk." That is why it was made surplus. But it is also true that there are gems in the surplus property program. If, as one Community Action Agency head told me, "You simply don't know what you're getting," chances are you don't know how to look.

It takes a lot of time and effort to make the surplus property program work for you, but with more than $400 million worth of goods going to eligible public and nonprofit agencies, it is certainly worth a look. Where else can you think of these days where $12.50 will buy 250 Chapsticks or a $3 million computer?

State Surplus Property Agencies

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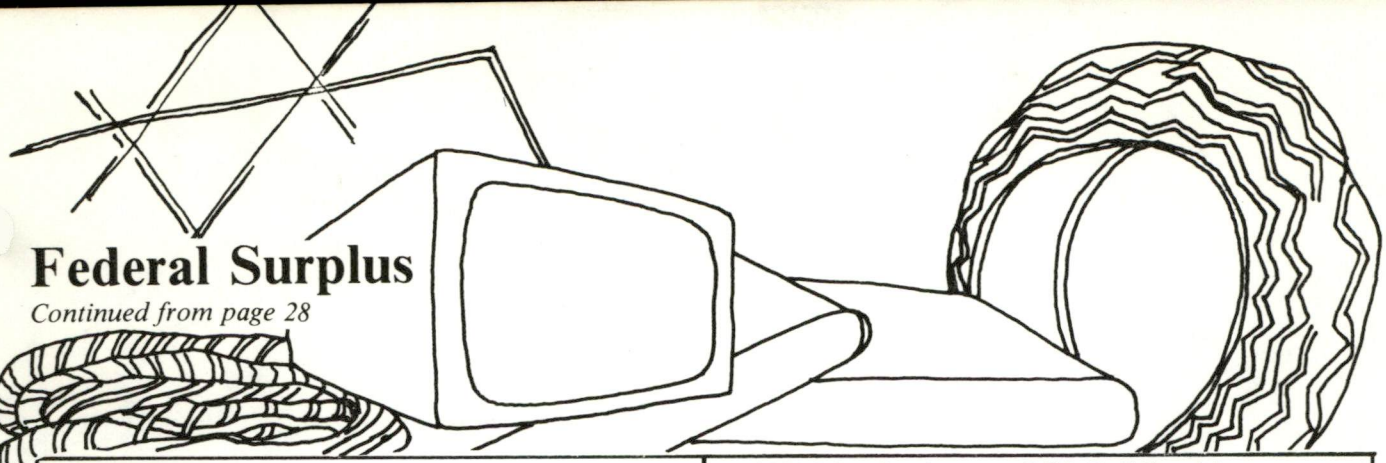

Federal Surplus

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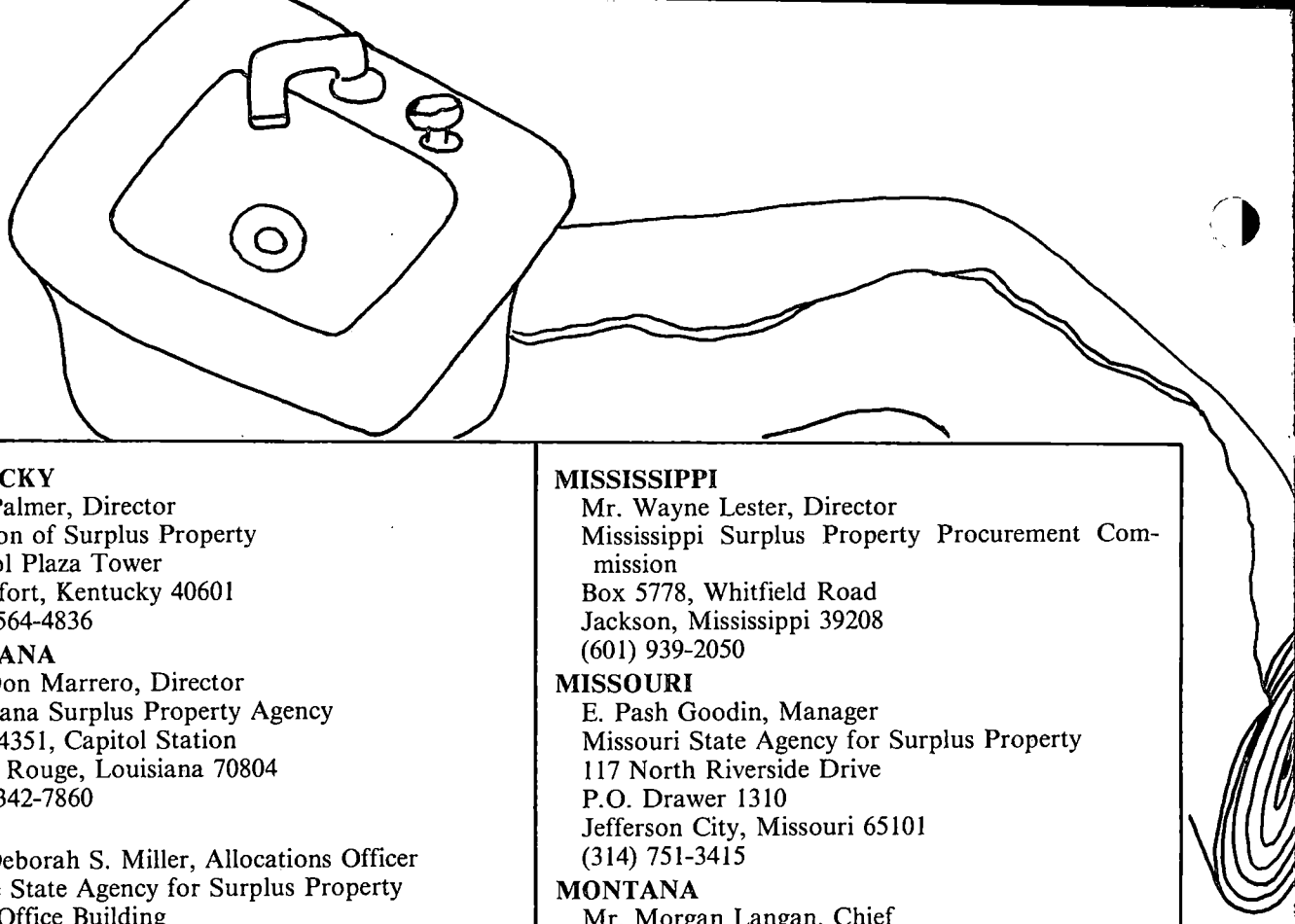

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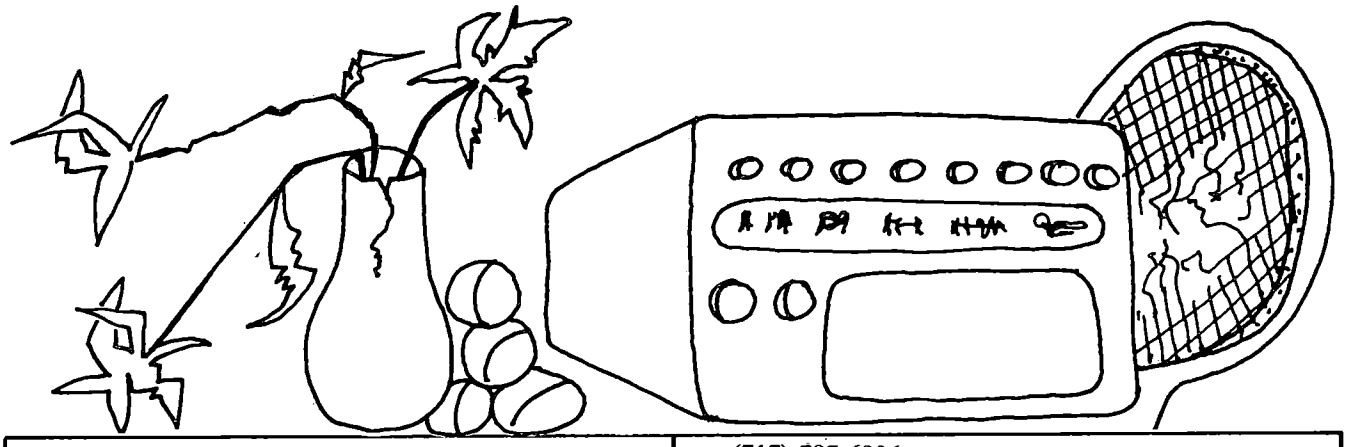

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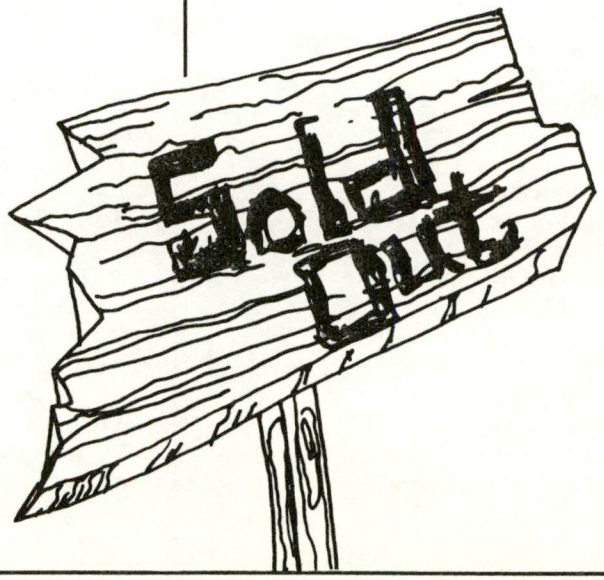

Know What You Are Getting

There is a terrific variation in the quality of surplus property, ranging from new to scrap. The smart surplus "shopper" should be familiar with the condition code below to determine just what is being offered. A van in "R-1" condition might be a real bargain, where an "R-4" van might not be worth the cost of towing it home.

CONDITION	DEFINITION	EXPANDED DEFINITION
N-1	New — Excellent	New or unused property in excellent condition. Ready for use and indentical or interchangeable with new items delivered by a manufacturer or normal source of supply.
N-2	New — Good	New or unused property in good condition. Does not quite qualify for N-1 (because slightly shopworn, soiled, or similar), but condition does not impair utility.
N-3	New — Fair	New or unused property in fair condition. Soiled, shopworn, rusted, deteriorated, or damaged to the extent that utility is slightly impaired.
N-4	New — Poor	New or unused property, soiled, rusted, mildewed, deteriorated, or damaged, condition is poor still having some utility, but cannot be classed as salvage.
E-1	Used — Reconditioned-Excellent	Used property, but repaired or renovated and in excellent condition.
E-2	Used — Reconditioned-Good	Used property which has been repaired or renovated and, while still in good usable condition, has become worn from further use and cannot qualify for excellent condition.
E-3	Used — Reconditioned-Fair	Used property which has been repaired or renovated but has deteriorated since reconditioning and is only in fair condition. Further repairs or renovation required or expected to be needed in near future.
E-4	Used — Reconditioned-Poor	Used property which has been repaired or renovated and is in poor condition from serious deterioration such as from major wear and tear, corrosion, exposure to weather, or mildew.
O-1	Used-Usable Without Repairs-Excellent	Property which has been slightly or moderately used, no repairs required, and still in excellent condition.
O-2	Used-Usable Without Repairs-Good	Used property, more worn than O-1, but still in good condition with considerable use left before any important repairs would be required.
O-3	Used-Usable Without Repairs-Fair	Used property which is still in fair condition and usable without repairs; however, somewhat deteriorated, with some parts (or portion) worn and should be replaced.
O-4	Used-Usable Without Repairs-Poor	Used property which is still usable without repairs but in poor condition and undependable or uneconomical in use. Parts badly worn and deteriorated.

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R-1	Used-Repairs Required-Excellent	Used property, still in excellent condition, but minor repairs required. Estimated repairs would cost not more than 10% of acquisition cost.
R-2	Used-Repairs Required-Good	Used property, in good condition but, considerable repairs required. Estimated cost of repairs would be from 11% to 25% of acquisition cost.
R-3	Used-Repairs Required-Fair	Used property, in fair condition, but extensive repairs required. Estimated repair costs would be from 26% to 40% of acquisition cost.
R-4	Used-Repairs Required-Poor	Used property, in poor condition, and requiring major repairs. Badly worn, and would still be in doubtful condition of dependability and uneconomical in use if repaired. Estimated repair costs between 41% to 65% of acquisition cost.
X	Salvage	Salvage. Personal property that has some value in excess of its basic material content but which is in such condition that it has no reasonable prospect of use for any purpose as a unit (either by the holding or any other Federal agency) and its repair or rehabilitation for use as a unit (either by the holding or any other Federal agency) is clearly impracticable. Repairs or rehabilitation estimated to cost in excess of 65% of acquisition cost would be considered "clearly impractible" for purposes of this definition.
S	Scrap	Material that has no value except for its basic material content.

G