SCF and the Economic Recession

An Assessment of the Strengthening Communities Fund Capacity-Building Program

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July 2, 2013

This research brief was written by the Urban Institute in the performance of the US Department of Health and Human Services, Administration for Children and Families, Office of Community Services Grant contract number HHSP23320095654WC. Any opinion, findings, and conclusions or recommendations expressed in this material are those of the authors and do not necessarily reflect the views of the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, or of the Urban Institute, its trustees, or its sponsors.

SCF and the Economic Recession

The recession of 2007–09 was the most severe economic challenge that the United States had faced since the Great Depression of the 1930s. The recession officially lasted 18 months (the longest since World War II),[1] but its effects lingered beyond that timeframe. US unemployment rates rose from 5.0 percent at the start of the recession to 9.5 percent at the recession's official end in June 2009.[2] Underemployment (those working part time for economic reasons, such as slack demand for work or inability to find a full-time job) more than doubled between October–November 2007 and October–December 2009 (Sum and Khatiwada 2010). The economic downturn affected nearly all population groups, but less-educated, low-skilled, and younger workers were among the hardest hit (The Urban Institute 2011). Similarly, geographic areas varied. Twenty states had double-digit unemployment rates in October 2009; only seven had rates below 7 percent.[3] Home values also decreased during the recession (more so in some areas than others), and foreclosures increased.

People often turn to nonprofit organizations for assistance to get through difficult financial times, but nonprofits were also affected by the recession. According to a national study of nonprofit organizations, community-based organizations simultaneously saw an increase in demand for their services and a decrease in financial contributions (Boris et al. 2010).

As part of the Federal government's response to the recession, the Strengthening Communities Fund (SCF) program was created to 1) build the capacity of faith-based and community organizations (FBCOs) so these groups could better serve people in need, and 2) contribute to the economic recovery by helping ensure that information and services available through the American Recovery and Reinvestment Act (ARRA) of 2009[4] reached populations in need. SCF was a very small portion of the overall ARRA stimulus package: grantees were awarded $46 million of the $174 billion allocated under ARRA between April 2009 and February 2010.

SCF was administered by the Office of Community Services (OCS), Administration for Children and Families, US Department of Health and Human Services. It was structured as two separate grant programs: one provided grants to lead nonprofit organizations (hereafter called

Nonprofit Program grantees); the other provided grants to State, Local, or Tribal government offices (such as offices with responsibilities for outreach to FBCOs) or organizations designated to administer the SCF grant on behalf of government entities (hereafter called Government Program grantees). Both programs shared the objective of providing capacity-building assistance, including training and technical assistance (T/TA), to FBCOs in the grantees' target areas. In addition to T/TA, Nonprofit Program grantees gave subawards to competitively selected FBCOs. Government Program grantees did not give subawards.

This research brief highlights the interplay between the recession and SCF capacity-building efforts.[5] It first discusses the recession's effects on SCF grantees and provides information on jobs created and retained by grantees with SCF funds. It then examines FBCOs that received SCF subawards and analyzes changes in their 2006–10 revenues to better understand the economic environment of the time. Next, the brief examines the types of activities undertaken by grantees and FBCOs to enable people to better access services that address economic recovery. Finally, the brief discusses the likelihood of sustaining FBCOs' newly formed capacity and provides some observations and lessons learned that could help shape future capacity-building programs.

Effects of the Recession on SCF Grantees

Like other organizations, SCF grantees were not immune to the recession's effects. During interviews, some SCF grantees spoke of challenges encountered despite the infusion of SCF and ARRA funds.

- One Nonprofit Program grantee reported it had around 30 employees when it applied for SCF in 2009, but it was down to 16 in late 2011 after it lost all its State funding.
- A Government Program grantee described how the SCF program was transferred to a different governmental entity when the agency originally awarded the grant lost staff and could not hire replacements because of a hiring freeze.

A few grantees pointed out that SCF (and other ARRA funds) had shielded them from the immediate effects of the recession. A Nonprofit Program grantee in a rural area noted it had been "a real struggle to keep our doors open," and it had laid off employees in other programs as State

and grant funds disappeared. This grantee said that its SCF grant helped the organization "keep its administrative core" together. A Government Program grantee said "the grant allowed us to weather the difficult time without laying people off …. [It] not only kept us going, but we were able to move forward when everybody else seemed to be moving backward."

Although SCF focused on building capacity of nonprofit organizations, it also helped create and retain jobs in SCF grantee organizations. Based on data from the ARRA quarterly 1512 reports (named after the section of the Recovery Act that addresses reporting), SCF grantees reported that typically one or two full-time-equivalent (FTE) jobs were created or retained each quarter to operate the program.[6] Some grantees reported the same number of jobs in every quarter, likely reflecting the continued employment of key staff members, such as program coordinators or administrative staff. Other grantees reported different amounts each quarter, likely reflecting variation in hours worked by staff or consultants, some of whom may have worked on SCF sporadically or worked on it more intensively at particular points in time (for example, in conjunction with periodic training events).

The average number of jobs reported by Nonprofit Program grantees ranged from less than one-half FTE (0.4) to almost eight FTEs (7.7), with a median of two FTEs. The range for Government Program grantees was from 0.5 FTEs to 9.4 FTEs, with a median of 1.4 FTEs. On average, SCF grantees directly created or retained a total of 153 jobs during the grant period: 74 jobs for Government Program grantees and 79 jobs for Nonprofit Program grantees.[7] Because of reporting inconsistencies, the 1512 reports likely underestimate the number of jobs actually supported through the SCF grants.[8]

Effects of the Recession on FBCOs

FBCOs that received training, technical assistance, or subawards through SCF often coped with the dual effects of increased demand for service and decreased financial resources. Information on how FBCOs fared during the 2007–09 recession is limited. However using data from the National Center for Charitable Statistics (NCCS),[9] we assessed how FBCOs that received SCF subawards fared financially during the recession. Because SCF was launched in Fall 2009 and SCF capacity-building services were not fully implemented until 2010, these findings should not be interpreted to suggest causation between SCF capacity-building assistance and change in

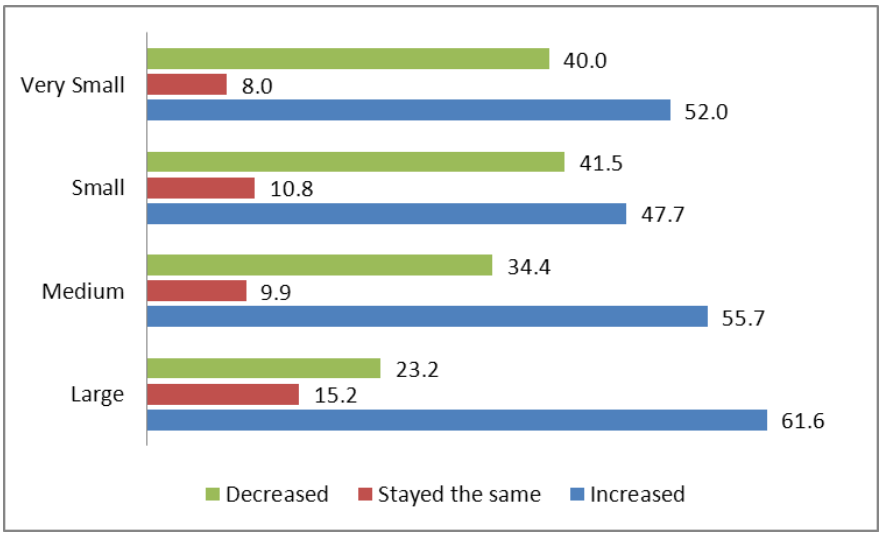
revenues. Rather, the data provide a framework for assessing the financial environment in which SCF assistance was delivered.

The financial circumstances of SCF subawardees varied greatly between 2006 and 2010. More than half (55 percent) of subawardees in the analysis[10] reported an increase in revenue of 5 percent or more on their Forms 990, while a third (33 percent) reported a decrease of 5 percent or more. The remaining organizations (12 percent) kept their total revenues about the same, (i.e., an increase or decrease of less than 5 percent). One organization reported its budget decreased from $1.5 million in 2006 to just under $70,000 in 2010, while another organization's budget grew from $77,000 in 2006 to over $500,000 in 2010. Expenses followed a similar pattern, with 62 percent of organizations spending more in 2010 than in 2006 and 28 percent expending less.

Revenue shifts often were substantial.[11] Of the 191 SCF subawardees with an increase in revenues, two-thirds (127 organizations) experienced an increase of 30 percent or more. The same pattern held true for organizations with declining revenues. Of the 115 subawardees whose revenue declined between 2006 and 2010, 51 organizations (44 percent) experienced a decrease of 30 percent or more. In total, about half the subawardees (178 subawardees, or 52 percent) had a change of plus or minus 30 percent or more in their revenues between 2006 and 2010.

The FBCO's budget size and age were good predictors of revenue change. Small and very small FBCOs were more likely than medium and large ones to see a decrease in total revenues, while large organizations were more likely to experience an increase (Figure 1). Among small and very small subawardees, about 40 percent reported decreases in revenues, while roughly half had increases. In contrast, large FBCOs with subawards were much more likely to report increasing revenues than decreasing revenues (62 percent versus 24 percent). As the size of the FBCO increased, so did the likelihood it would find ways to sustain and increase its revenue base.

Figure 1. Percentage of SCF Subawardees with Change in Total Revenue, FY 2006 to 2010, by Size of Organization



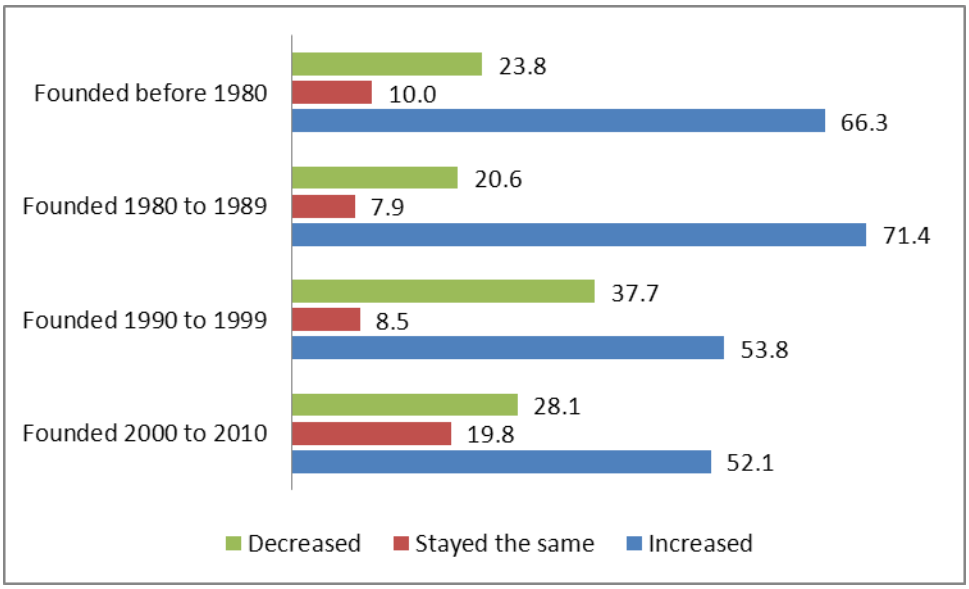
Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2006-2010).
Note: "Increased" means a revenue gain of 5 percent or more, "decreased" means a revenue loss of 5percent or more, and "stayed the same" means a revenue change of less than 5 percent in either direction.

Most of the downward trend in revenue occurred between 2006 and 2008 when the recession first hit. Between 2008 and 2010, many SCF subawardees saw revenue growth, in part because of the ARRA funds they received that enabled them to rebound past their 2006 revenue levels.

An organization's age also affected revenue generation. Older organizations generally have more infrastructure in place to help them weather financial hardships. As a result, newer organizations are likely to have more need for capacity-building services. Almost two in five SCF subawardees (38.0 percent) were formed after 2000, and roughly one in four (26.8 percent) were formed between 1990 and 1999. In contrast, only one in five organizations (19.9 percent) have been in operation for more than 40 years (founded before 1980).

While the majority of FBCOs with SCF subawards came through the recession with revenue gains, the older ones were more likely to do so than the younger ones (Figure 2). On average, between 66 and 71 percent of FBCOs formed before 1990 reported increases in revenue by 2010, compared with roughly 50 percent of FBCOs formed in 1990 or later. Conversely, 28 to 38 percent of younger FBCOs on average reported decreases in revenue, while 20 to 24 percent of older ones had decreases. These data support the hypothesis that older FBCOs are likely to have the capacity and infrastructure to strengthen their financial position and sustain their work in the community during a recession.

Figure 2. Percentage of SCF Subawardees with Change in Total Revenue, FY 2006 to 2010, by Year of Founding



Source: The Urban Institute, National Center for Charitable Statistics, Core Files (Public Charities, 2006-2010).
Note: "Increased" means a revenue gain of 5 percent or more, "decreased" means a revenue loss of 5percent or more, and "stayed the same" means a revenue change of less than 5 percent in either direction.

During site visits and telephone interviews, remarks by SCF grantees and the FBCOs assisted by them provided further evidence that a substantial number of FBCOs struggled to maintain their financial position during the recession. A few SCF grantees pointed out that State budget cuts not only affected government agencies, but also trickled down to FBCOs. One Government Program grantee said, "Things are pretty tight for the FBCOs—at least the ones we work with were hit by State budget cuts and delays in payment for work they had already done." A grantee in another State commented, "Any organization with State funding has been cut to the bone, including nonprofit organizations… anything social services."

Other grantees mentioned other issues:

- A Government Program grantee in a state agency indicated the FBCOs it worked with had experienced shifts in funding: "Cash flows are decreasing significantly and they are digging into their reserves to maintain programs and services…organizations have tried to compress staff through reduced work weeks, reduced FTEs, etc. Many are looking at restructuring (e.g. merging, etc.)."

- Another Government Program grantee noted its county was impacted by the closing of a major employer, resulting in the loss of thousands of jobs. The grantee indicated that FBCOs in the area had experienced staff cutbacks, hiring freezes and reduced programming, but not many closures, commenting "the FBCOs are somehow surviving."

FBCO leaders interviewed during site visits generally described the effects of the recession on their organizations in funding losses, staff reductions, or increased demand for services. Both SCF grantees and FBCOs acknowledged that SCF helped them survive the recession and move forward.

- The SCF coordinator of a large urban Nonprofit Program grantee indicated that she and the staff member who provided technical assistance would have lost their jobs after another grant ended if not for receiving the SCF grant.
- One Government Program grantee commented: "Some [FBCOs] have gotten through it. The trainings have put some of them in a better position to weather the storm."
- The director of a small FBCO said that after participating in SCF she was able to build additional infrastructure to financially turn around her organization and build a small reserve fund for the first time.

Recovery-Related Services of FBCOs

FBCOs that received intensive capacity-building assistance from SCF Nonprofit Program grantees provided services closely related to economic recovery.[12] The most frequently provided recovery-related service[13] was employment services, which included job-search assistance such as résumé writing, practice with interview questions, or clothing to wear on interviews (Table 1).

Access to benefits programs and employment-related education and training were the next most frequently provided recovery-related services. Roughly a third of the FBCOs provided these types of services. Access to benefits programs generally informed people about public benefits that might assist them during the recession, and some FBCOs helped individuals complete applications for such benefits. Education and training services generally ran the gamut from basic literacy and GED programs to specialized training to obtain the skills needed to qualify for a particular type of job.

Table 1. FBCOs Providing Recovery-Related Services

Type of service	Number of FBCOs	Percent of FBCOs with Subawards or 10+ Hours of Technical Assistance
Employment-related services		
Employment services	455	43
Education and training	325	31
Welfare to work	76	7
Access to benefits and services for specific needs groups		
Access to benefits	345	33
Financial education/asset building	229	22
Homeless services	158	15
Elders in need	75	7

Source: Authors' review of PPR data provided to Urban Institute by National Resource Center (August 10, 2012).
Note: Sample size is 1,052. FBCOs could provide more than one type of service, so an FBCO may be counted in multiple categories.

Recovery-Related Services of SCF Grantees

Like FBCOs, the SCF grantees typically focused on two areas of recovery-related services: access to benefits and employment-related services. Each is described below.

Access to Benefits

Grantees could use SCF grants to build the capacity of FBCOs to help people with low and moderate incomes access benefits and tax credits, including ARRA-related benefits.[14] Grantees often provided information about such benefits in workshops or on their Web sites. However, two Government Program grantees made it the centerpiece of their SCF activities by developing benefits screening and application tools (internal capacity-building) and providing training and technical assistance to FBCOs to use these tools. These efforts involved collaboration with other government entities and promoted collaborations or partnerships with the FBCOs that participated in the efforts.

- One large city agency used its SCF grant to work closely with a State agency to incorporate city-administered benefits in the State's electronic benefits eligibility screening system (benefits portal) and to make the system available to FBCOs so they could help their clients apply for benefits such as utilities assistance, tax preparation/earned income tax credits, SNAP (Food Stamps), and job training services. This effort involved extensive internal capacity-building on the part of the grantee,

including developing technical capability to receive and store data from the State system and developing agreements related to data sharing and jurisdictional issues with various agencies that administer benefits programs. The grantee recruited 39 FBCOs and provided training and technical assistance on both use of the portal and the public benefits available. The grantee specifically recruited some small FBCOs focused on serving immigrants or refugees (who often do not use mainstream FBCOs), to increase access to benefits for these groups. Several FBCO leaders that participated in this effort reported that their ability to use the portal enabled their clients to access a broader set of benefits "because the system automatically tells you what the applicant qualifies for."

- A Government Program grantee at a local government agency similarly collaborated with a State agency to add more benefit programs (including employment-related programs, child health programs, free and reduced-price lunch programs, and earned income tax credits) to an existing electronic screening system previously used for SNAP applications. The grantee's internal capacity-building activities included developing systems to enable FBCOs to securely submit applications and documents demonstrating eligibility. The grantee recruited 21 FBCO partners to conduct outreach and screening/enrollment and provided training and technical assistance about the various benefit programs, the application process, and use of the software.

Employment-Related Services

Several grantees emphasized employment assistance in their SCF programs, consistent with the recovery-related objectives of SCF.

- One Government Program grantee with responsibility for employment services in its county used its SCF grant to expand and build the capacity of the FBCO network that functioned as access points for such services as job search, résumé writing, and so on. The grantee provided training and technical assistance to enable FBCO staff to respond to questions about benefits and services available, and to help clients with résumés and job search. The SCF grant was used in part to provide FBCOs in the network with laptops set up with a résumé-writing program.
- Another Government Program grantee in a county hard hit by the recession developed and conducted an entrepreneur conference as part of its internal capacity-building, noting,

"When our last big employer left for China, it became very clear that the county had to grow its own businesses and teach people how to start small businesses." The grantee developed training for entrepreneurs, starting with writing a business plan and developing support networks. Three participants reportedly opened small businesses after participating in the training.

- A Nonprofit Program grantee developed a unique approach to addressing unemployment of older teens and young adults, whose employment opportunities worsened due to the recession. In essence, the grantee incorporated a summer jobs/work experience program within its SCF capacity-building program. FBCOs that received subawards were expected to sponsor a youth to help with a capacity-building project during the summer months, and to pay the youth a stipend (a specified amount of the FBCO's subaward). The youth acquired employment experience and skills and participated in the grantee's employment-related workshops (such as interviewing skills, résumé writing, etc.). The program was intended to introduce youth to the nonprofit sector as a potential career choice and to help FBCOs with their capacity-building efforts. For example, the young woman working with one FBCO used her computer skills to help the agency design a new brochure.

Conclusions and Lessons Learned

SCF addressed the impacts of the recession in multiple ways: it provided information about ARRA benefits to people who were experiencing the negative impact of the recession, it helped create or retain jobs for SCF grantees and FBCOs that delivered ARRA-related services, and it helped build the capacity of FBCOs so they could further assist people in need in their communities. As the effects of the recession subside, the Fund's goal to build capacity of FBCOs became the most important. Did the training and technical assistance received by FBCOs through SCF programs help strengthen organizational infrastructure and enable these organizations to sustain these practices and deliver effective services?

The answers to these questions are elusive because many communities are still struggling with the aftermath of the recession, and not enough time has lapsed to adequately assess long-term outcomes of the capacity-building activities. But the process of providing capacity-building

assistance during a severe and prolonged recession provides several lessons that can inform future capacity-building initiatives.

First, the need to address capacity issues is widespread throughout the nonprofit sector. As the nonprofit literature documents, there are few resources to help nonprofits learn about and adopt practices that will improve and strengthen their organizational capacity. Because all levels of government contract with FBCOs to provide public services, it is important not only to understand the capacity strengths and limitations of nonprofit service providers but also to provide opportunities to strengthen the government-nonprofit partnership. Almost all FBCOs surveyed for this study found the capacity-building assistance provided under SCF helpful.[15]

Second, capacity-building initiatives might consider targeting FBCOs of a certain size. While organizational size is not the only predictor of a FBCO's readiness to accept change and build capacity (i.e., leadership matters), the evidence suggests that medium and large FBCOs may be more likely to benefit from capacity-building efforts. The financial volatility of small and very small FBCOs makes it difficult to feel confident that capacity-building activities will be implemented and sustained in organizations struggling year to year to keep afloat financially. Medium and large FBCOs perhaps offer a greater likelihood of return on the capacity-building investment.

Third, future capacity-building initiatives might also consider the age of an FBCO as one criterion for targeting capacity-building assistance. Again, the data suggest that somewhat older and more seasoned organizations have greater financial stability than younger organizations, offering greater promise of sustainability.

Finally, SCF contributed to the recovery effort through its outreach and job generation activities, but it is too soon to tell the long-term outcomes of the SCF capacity-building efforts. Like all other parts of the economy, SCF grantees and FBCOs struggled with the recession's effects such as shrinking budgets and lay-offs, restructuring and mergers. Nonetheless, SCF laid a foundation for better understanding the issues related to the need for capacity building and the mechanisms for delivering capacity-building assistance. A follow-up study might provide greater insights into the proportion and types of FBCOs that were able to sustain and strengthen their organizations because of the assistance they received under SCF.

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[1] National Bureau of Economic Research, Business Cycle Dating Committee announcement of June 2009 business cycle trough/end of last recession, September 20, 2010, http://www.nber.org/cycles/sept2010.html (accessed August 13, 2012).

[2] US Bureau of Labor Statistics. February 2012. "The Recession of 2007–2009." BLS Spotlight on Statistics. http://www.bls.gov/spotlight/2012/recession/pdf/recession_bls_spotlight.pdf.

[3] US Bureau of Labor Statistics, "Regional and State Employment and Unemployment—October 2009," news release USD-09-1405, November 20, 2009, http://www.bls.gov/news.release/archives/laus_11202009.pdf.

[4] Section 1110 of the Social Security Act governing Social Services Research and Demonstration activities; Title VIII of the American Recovery and Reinvestment Act of 2009, Public Law 111-5.

[5] Between 2010 and 2012, the Urban Institute conducted an evaluation of the SCF for the Office of Community services, US Department of Health and Human Services (see *An Assessment of the Strengthening Communities Fund Capacity-Building Program* at *http://www.urban.org/publications/412862.html*. The analysis presented here is based on ARRA 1512 reports, the quarterly Performance Progress Reports (PPR), IRS Form 990 data, Urban Institute telephone interviews and site visits with SCF grantees, and surveys conducted by the Urban Institute of SCF grantees and the FBCOs that received assistance under SCF.

[6] The Urban Institute team reviewed eight quarters of 1512 reports from December 2009 through September 2011. OMB Memorandum M-10-08: Updated Guidance on the American Recovery and Reinvest Act-Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates. December 18, 2009, p. 11. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-08.pdf.

[7] Because of variations in the number of quarters in which jobs were reported, the average number of jobs reported per grantee was calculated based on the quarters in which jobs were reported.

[8] Jobs reported were to include those of subrecipients and vendors as well as those of the grantee, although comments on some 1512 reports suggest this was not always consistently followed. Also, some grantees may have interpreted "jobs created and retained" strictly, thus not reporting retained jobs unless they would have been eliminated if not funded by SCF. Recovery.Gov, Recipients Reporting Data Model V3.0, http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_fy2009/m09-21-supp2.pdf.

[9] NCCS is a national repository of IRS Forms 990, the annual financial report that nonprofit organizations with revenue over $25,000 are required to file. NCCS is located at the Urban Institute.

[10] Of the roughly 600 FBCOs that received subawards, 341 (57 percent) filed a Form 990 for fiscal years 2006, 2008, and 2010 (the latter is the most recent year that Form 990 data are available).

[11] Because it is unlikely that an organization will have exactly the same level of revenue from year to year, the analysis used the following definitions of change in revenue. An increase is a gain of 5 percent or more in revenue, a decrease is a loss of 5 percent or more in revenue, and stayed the same is an increase or decrease of less than 5 percent.

[12] Similar data are not available for FBCOs served by Government Program grantees.

[13] FBCOs could provide more than one service, thus a single FBCO might be counted in multiple categories.

[14] US Department of Health and Human Services Notices of Funding Opportunity #HHS-2009-ACF-OCS-SN-0092, p 2 and HHS-2009-ACF-OCS-SI-009, p 4.

[15] See Urban Institute's full evaluation of the SCF program, *An Assessment of the Strengthening Communities Fund Capacity-Building Program* at *http://www.urban.org/publications/412862.html*.