

Memo



March 30, 2009

To: COF Members
From: COF Public Policy Department
Re: The Edward M. Kennedy Serve America Act

On March 26 the Senate passed the **Edward M. Kennedy Serve America Act** (H.R.1388/S. 277) by a vote of 79-19. The House of Representatives will vote on the same bill tomorrow. Congress is expected to send the act to President Obama for signature before the Easter congressional recess.

Highlights of the Serve America Act:

- Updates and strengthens national service programs administrated by the *Corporation for National and Community Service (CNCS)*, a federal agency created in 1993. The bill also allows for new service corps focused on areas of national need.
- Establish a Commission to study and improve how the federal government, nonprofits, and the private sector can work together to meet national challenges effectively.
- Creates new programs to address America's most pressing challenges, such as tackling the dropout crisis and strengthening our schools; improving health care for low-income communities; assisting veterans and military families; and boosting energy efficiency.

The bill includes two matching grant programs that are of particular interest to grantmakers.

Technical Support and Assistance for Small and Midsize Nonprofits

The bill establishes the Nonprofit Capacity Building Program (NCBP) to be administered by CNCS and authorizes \$5 million a year for five years to make grants to intermediary nonprofits to pay the Federal share of the cost of providing organizational development assistance to small and midsize nonprofit organizations. Key points:

- To the extent practicable, grants of \$200,000 each shall be made in each state, half from the federal government and half in the form of matching funds supplied by the grantee.
- Intermediary nonprofit organizations include public charities, foundations & governmental entities. Intermediaries must possess meaningful prior experience in providing organizational development assistance, or capacity building assistance, focused on small and midsize nonprofit organizations.
- "Preference" is to be given to grantees in areas where nonprofits face significant resource hardship challenges.
- Considerations in selecting grantees include: the number of small and midsize nonprofits to be served by the grant; how cost efficient the grant is relative to the number of

nonprofits in the state; and the quality of the organizational development assistance to be provided.

- **Note:** Even though the authorization of the program will soon be signed into law, appropriations still need to be made. The earliest the funds would be available is October 1, 2009 when the new federal fiscal year begins. The last several sessions of Congress have failed to meet this funding deadline and have required continuing resolutions.

Grants under the NCBP:

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

Organizational Development Assistance in the NCBP: The types of assistance funded under grants include:

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

50% Matching Grants in the NCBP: Each intermediary grantee must match the federal funds with a non-federal share which may be provided through charitable grantmaking entities, corporate philanthropy, individual donors, state/local government, or other sources.

- Grantees appear to be required to seek new contributions from donors, including foundations, to meet their required match. This can take the form of gifts from new donors or gifts from existing donors that exceed gifts made in the prior year.
- However, if the grantee is a private foundation, a donor advised fund, or a supporting organization that is not a Type III functionally integrated supporting organization, it is required to use its own resources to make the match. The Council is seeking clarification on this point.

The Social Innovation Fund

The bill creates a Social Innovation Fund as a pilot program within the CNCS to award grants to grantmaking institutions for the ultimate purpose of recognizing effective and innovative social programs and bringing them to scale and to foster the development and evaluation of new such programs.

- The bill provides for grants of \$1 million to \$10 million a year for five years, to be matched by the grantmaking institutions.
- The grantmakers will use these funds to award subgrants to community organizations with “social entrepreneurship” projects that have been demonstrated to be effective or that

have the capacity to develop and evaluate similarly innovative programs. The bill would have the CNCS make grants to intermediary organizations, referred to as “covered entities.”

- To be eligible for grants from CNCS, grantmaking institutions (a term that includes partnerships of grantmaking institutions and partnerships of grantmaking institutions and governmental bodies) must be focused either on serving a specific geographical community or on addressing a specific issue area in geographical areas that have the highest need with respect to that issue. Community foundations clearly fall within this definition due to their focus on a geographic area. Private foundations may also qualify based either on a geographic focus or a focus on one of the specified issue areas. Nothing in the definition excludes corporate grantmaking programs from eligibility although CNCS may be reluctant to make grants to entities that are not nonprofit and exempt from tax under section 501(c)(3).
- Additional requirements for intermediary grantmakers include experience with evaluations of program effectiveness, well-developed plans to either take to scale an existing program that has been evaluated and found effective or a plan for supporting new initiatives with a substantial likelihood of significant impact. Intermediary grantmakers must also have policies in place with respect to conflict of interest, self-dealing and other improper practices.
- The funds authorized by this legislation would provide federal grant support, leveraged by matching funds supplied by grantees and subgrantees. The dollar for dollar required match from the intermediary grantmaking institution can be reduced by half if the intermediary serves a “philanthropy underserved” community, such as a low-income rural area. Intermediary grantees, in turn, will make grants of at least \$100,000 to subgrantees – community organizations that actually operate the programs. Subgrantees must also provide a dollar for dollar match for funds they receive. The effect of the matching requirements is that each federal dollar will need to be matched by \$2.50 to \$3.00 of private money. Direct grantees must also provide technical support to subgrantees.