

**The Meadows
Foundation**



Task Force on Strengthening Nonprofit Capacity Report and Legislative Recommendations to the 81st Texas Legislature

Prepared by

The Task Force on Strengthening Nonprofit Capacity

Submitted to

House Committee on Human Services
House Committee on Public Health
Senate Health and Human Services Committee

November 1, 2010

LETTERS OF TRANSMITTAL



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS
EXECUTIVE COMMISSIONER

November 3, 2010

The Honorable Patrick Rose, Chair
House Committee on Human Services
State Capitol Extension, E2.602
Austin, Texas 78701

Dear Chairman Rose:

The Texas Health and Human Services Commission (HHSC) established the Task Force on Strengthening Nonprofit Capacity, as directed by H.B. 492, 81st Legislature, Regular Session, 2009, to make recommendations for strengthening the capacity of faith- and community-based organizations (FCBOs) for managing human resources and funds and providing services to Texans in need.

H.B. 492 directed the task force, comprised of representatives for FCBOs, state agencies, the academic community, and the foundation community, to hold at least three public hearings throughout Texas to hear testimony from the public on strengthening nonprofit capacity. Furthermore, H.B. 492 required the task force to submit its legislative report, with recommendations, to the Senate Health and Human Services Committee, the House Committee on Health Services, and the House Committee on Public Health.

The task force sought public testimony throughout Texas at five public hearings and solicited for written comments and recommendations by mail and e-mail. In addition, the task force established a subcommittee to collaborate with the OneStar Foundation and the Bush School of Government and Public Service at Texas A&M University to develop and implement a statewide survey seeking input on nonprofit capacity building from small- and medium-sized FCBOs not heard through public hearings, mail, and e-mail. The task force considered all public input in developing its recommendations.

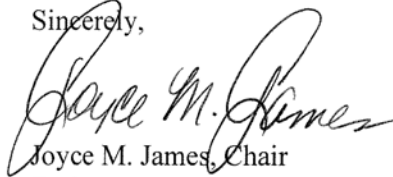
As representative for state agencies in Texas, it was my pleasure to lead this task force and facilitate the development of legislative recommendations by my fellow members. The seven non-state agency task force members developed and approved this final report, which makes legislative recommendations for strengthening the capacity of FCBOs throughout Texas. I am pleased to submit the following report to the 81st Texas Legislature on behalf of the task force.

P. O. Box 13247 • Austin, Texas 78711 • 4900 North Lamar, Austin, Texas 78751 • 512-424-6500

The Honorable Patrick Rose
November 5, 2010
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Please let us know if you have any questions or need additional information. Liz Garbutt, Director of the HHSC Office of Community Access, serves as the lead staff on this matter and may be reached by phone at (512) 919-5730 or by e-mail at Liz.Garbutt@hhsc.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Joyce M. James". The signature is fluid and cursive, with a large initial "J" and "M".

Joyce M. James, Chair
Task Force on Strengthening Nonprofit Capacity



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS
EXECUTIVE COMMISSIONER

November 5, 2010

The Honorable Lois Kolkhorst, Chair
House Committee on Public Health
State Capitol Extension, Room E2.318
Austin, Texas 78701

Dear Representative Kolkhorst:

The Texas Health and Human Services Commission (HHSC) established the Task Force on Strengthening Nonprofit Capacity, as directed by H.B. 492, 81st Legislature, Regular Session, 2009, to make recommendations for strengthening the capacity of faith- and community-based organizations (FCBOs) for managing human resources and funds and providing services to Texans in need.

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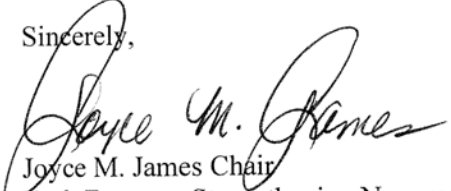
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The Honorable Lois Kolkhorst
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Sincerely,



Joyce M. James
Joyce M. James Chair
Task Force on Strengthening Nonprofit Capacity



TEXAS HEALTH AND HUMAN SERVICES COMMISSION

THOMAS M. SUEHS
EXECUTIVE COMMISSIONER

November 5, 2010

The Honorable Jane Nelson, Chair
Senate Committee on Health and Human Services
Sam Houston Building, Room 420
Austin, Texas 78701

Dear Senator Nelson:

The Texas Health and Human Services Commission (HHSC) established the Task Force on Strengthening Nonprofit Capacity, as directed by H.B. 492, 81st Legislature, Regular Session, 2009, to make recommendations for strengthening the capacity of faith- and community-based organizations (FCBOs) for managing human resources and funds and providing services to Texans in need.

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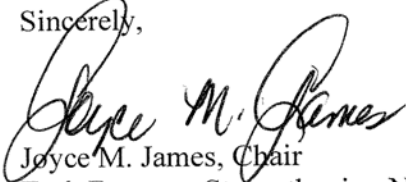
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Sincerely,

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Joyce M. James, Chair
Task Force on Strengthening Nonprofit Capacity

ACKNOWLEDGEMENTS

The Texas Health and Human Services Commission (HHSC) wishes to express its gratitude to all the members of the Task Force on Strengthening Nonprofit Capacity and their respective staff for the time and resources dedicated to supporting the development of the task force report and legislative recommendations. HHSC is especially grateful for the technical and strategic assistance provided by the OneStar Foundation in supporting the task force public hearings, meetings, and survey.

TASK FORCE MEMBERS

Joyce James, (chair)
Angela Bies, Ph.D.
Bruce Esterline
Bee Moorhead

Robert Hickerson, (vice-chair)
Brad Carter
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ONESTAR FOUNDATION

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Members of the task force wish to express their appreciation of the support and assistance provided by the OneStar Foundation and HHSC. In addition, the task force wishes to acknowledge and thank the task force survey research team, lead by task force member Dr. Angela Bies and comprised of graduate students from the Bush School of Government & Public Service at Texas A&M University.

TASK FORCE RESEARCH TEAM

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The task force is grateful to all members of the public that contributed invaluable insight by providing testimony at task force public hearings and meetings, submitting written comments and/or recommendations via mail or e-mail, and participating in the task force survey.

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EXECUTIVE SUMMARY

The Texas nonprofit community plays a vital role in providing health and human services and social services to Texans in need throughout the state. As the needs of Texans have grown, so too has the nonprofit community, which has had a demonstrable and widespread impact on many critical economic sectors within this state. State government is in a position to support the efforts of Texas' nonprofit community by expanding and strengthening sustainable partnerships between state agencies and nonprofit organizations.

The Texas Health and Human Services Commission (HHSC), in partnership with OneStar Foundation, established the Task Force on Strengthening Nonprofit Capacity, as directed by House Bill (H.B.) 492, 81st Legislature, Regular Session, 2009, in March 2010 to make recommendations for strengthening the capacity of faith- and community-based organizations (FCBOs) for managing human resources and funds and providing services to Texans in need.

The task force sought public testimony throughout Texas at five public hearings and solicited for written comments and recommendations by mail and e-mail. The task force also collaborated with the Bush School of Government & Public Service at Texas A&M University to develop and implement a statewide survey seeking input on nonprofit capacity building from small- and medium-sized FCBOs not heard through public hearings, mail, and e-mail. The task force met throughout September and October 2010 to develop its report with legislative recommendations, considering all public input.

In accordance with the directive established by H.B. 492, the task force recommends the Texas legislature enact the following policies to strengthening the capacity of FCBOs in Texas and strengthening the nonprofit sector, in general:

1. The legislature should create a line-item appropriation for the Renewing Our Communities Account (ROCA), in the Health and Human Services Commission (HHSC) budget, to build the capacity of small- and medium-sized FCBOs.
2. The legislature should direct HHSC to conduct and document special outreach to nonprofits in historically disadvantaged and underserved communities in soliciting ROCA proposals, and to give priority to historically disadvantaged and underserved communities in the awarding of funds.
3. The Lieutenant Governor of Texas and the Speaker of the Texas House of Representatives should issue interim charges directing one or more legislative committees to examine issues relating to nonprofit organizations' access to credit, and to explore ways in which the state could improve the nonprofit sector's access to capital for social innovations.
4. The legislature should direct the Texas Department of Insurance to develop mechanisms for affordable group employer-sponsored health insurance for employees of nonprofit organizations.

5. The legislature should direct the Interagency Coordinating Group (ICG), established by House Bill 492, 81st Legislature, Regular Session, 2009, to develop and implement a plan to improve contracting relationships between state agencies and the nonprofit sector.
6. The legislature should continue the ICG. The ICG should be expanded to include the Governor's Office, Department of Public Safety, Department of Insurance, Public Utility Commission, Office of the Attorney General, Department of Agriculture, Comptroller of Public Accounts, and other agencies. The ICG should be charged with sharing best practices for state agency and nonprofit cooperation and collaboration, identify duplication and gaps in service delivery among state agencies, and identify strategies for addressing these deficiencies. The ICG should establish a task force to assist them in this effort with representatives from private funders, local government, and FCBOs.
7. The legislature should direct the Department of Information Resources to consult with the ICG and its advisory committee to develop a user-friendly portal for local FCBOs to access information on state funding opportunities, including grants and contract opportunities, best practices, and other pertinent information.
8. The legislature should ensure a stable environment for nonprofit organizations by maintaining current tax policies related to nonprofit organizations.
9. The legislature should direct state agencies to maximize their acquisition of federal funds for nonprofit grant and contract programs.

TEXAS NONPROFIT SECTOR

The nearly 68,000¹ 501 (c)(3) nonprofit corporations that constitute the Texas Nonprofit Sector are a social, cultural, and economic force upon whom Texans increasingly rely (TANO, 2010). They are a significant contributor to our local communities providing a wide array of services, including human services and support for those in need, education, arts appreciation, environmental protection and much more. Together, the 403,196 Texans who work within nonprofits account for 3.8% of our state's total workforce and 4.3% of the non-government workforce. Nonprofits pay wages of \$16.8 billion and contribute state and local tax revenues of \$1.8 billion (Salamon and Lessans Geller 2010).

In the last decade, the number of filing nonprofits in Texas has grown by 30,626 organizations, nearly doubling in size and scope. The nearly 68,000 nonprofits reported total revenues of \$83 billion and assets of \$213.9 billion in 2009. Of the nonprofits in Texas, 59.6% are public charities, 9.3% are private foundations and 31% are some other kind of nonprofit. Nearly half of the nonprofits and 60% of the revenue are found in Bexar, Dallas, Harris, Tarrant or Travis County (Urban Institute 2010a).

The Texas nonprofit sector employs more than six times as many workers as the state's oil and gas extraction industry and 20% more than the state government. Nonprofit employees represent 3.8% of the total Texas workforce (1 out of every 26 workers), which is below the US average of 7.2%. Health services account for 55% of all Texas nonprofit employment, including jobs at hospitals, health clinics and residential care facilities (Salamon and Lessans Geller 2010). Despite the sector's economic contributions and scope of services, the sector comprises largely small and medium size organizations. In 2009, 92% had annual revenue less than \$1 million; 87% had annual revenue less than \$500,000; 81% had annual revenue less than \$250,000; and 71% had annual revenue less than \$100,000 (Urban Institute 2010a). Accordingly, they rely heavily upon individual, foundation, business and federal and state support. They also rely upon a positive environment in which the state encourages citizen engagement and supports the growth of the sector.

Texas ranks third in the nation for number of nonprofits with government contracts and ninth in total number of government contracts. That's a total of 6,776 government contracts and grants divided among 1,706 nonprofit organizations (Boris et al. 2010). Of these contracts, 63% are between human service related nonprofits and the government (Urban Institute: Nonprofit-Government Contracts and Grants: Overview 2010b). Although Texas ranks better than most states in a recent study nonprofits and government contracting, the contracting relationship remains complex and costly (National Council of Nonprofits, 2010), as similarly reported on in the Task Force's own research findings. In addition, \$1,266, the average charitable contribution per tax return puts Texas fourteen in comparison to other U.S. states (Urban Institute 2010c). The sector varies widely in terms of mission area. Education-related groups represent 17% of nonprofits in Texas, followed by organizations representing community improvement, and capacity building (9.2%); philanthropy, voluntarism, and grantmaking foundations (9.4%); the arts (8.0%); recreation (7.4%), human services (6%), health-related (5.7%) and housing and shelter (2%). Religion-related nonprofits comprise 6.7% of the sector (Urban Institute 2010a).

Nonprofits contribute to the reduction of labor force inequalities by hiring disadvantaged groups of workers (Texas Association of Nonprofit Organizations 2010). The nonprofit sector brings a significant share of private employment to both urban and rural areas and brings higher average wages than for-profits in industries where both sectors are involved. In spite of the economy, nonprofit employment in Texas is growing; approximately 18,650 jobs have been added since 2004 (Salamon and Lessans Geller 2010). Nonprofits also take advantage of the power of volunteers. In 2009, 24.4% of Texas residents volunteered, slightly under the national average of 26.8%. Overall, 566.7 million hours of service were donated in Texas, worth a total of \$11.8 billion (Corporation for National & Community Service 2009).

Nonprofit contributions to the welfare and cultural enrichment of Texans are often underrated. By supporting the Nonprofit Sector, the Texas government both strengthens a critical partner as well as the quality of life of all Texans.

ⁱ This number increases to 72,000 when private foundations are included in the tally.

BACKGROUND

House Bill (H.B.) 492, 81st Legislature, Regular Session, 2009, authored by Representative John Zerwas and Representative Lois Kolkhorst and sponsored by Senator Bob Deuell and Senator Dan Patrick, directed state agencies to expand faith- and community-based health and human services and social services initiatives in Texas. The purpose of these initiatives is to provide charitable and social services to needy persons in this state by strengthening the capacity of Texas faith- and community-based organizations (FCBOs) and forging stronger partnerships between those FCBOs and state government.

As part of this expansion, H.B 492 directed the Texas Health and Human Services Commission (HHSC) to establish the Task Force on Strengthening Nonprofit Capacity. The legislation required that the task force be comprised of representatives from state agencies, FCBOs, the academic community, the foundation community, and other individuals with expertise that would be valuable to the task force. HHSC, in coordination with OneStar Foundation (OneStar), sought out candidates throughout Texas to serve on the task force in December 2009 and the HHSC Executive Commissioner, Thomas Suehs, appointed eight task force members in March 2010, in consultation with the Texas Governor. The task force appointments include:

- Joyce James (chair)
Associate Deputy Commissioner, Texas Health and Human Services Commission
Texas State Agency Representative
- Robert Hickerson (vice-chair)
Chief Operating Officer, Texas Tech University Off-Campus Sites
Community-Based Organization Representative
- Angela Bies, Ph.D.
Assistant Professor, Bush School of Government & Public Service, Texas A&M University
Academic Community Representative
- Brad Carter
Executive Director, Connecting Caring Communities
Faith-Based Organization Representative
- Bruce Esterline
Vice President for Grants, The Meadows Foundation
Foundation Community Representative
- Karen R. Johnson
Chief Executive Officer, United Ways of Texas
Community-Based Organization Representative
- Bee Moorhead
Executive Director, Texas Impact

Faith-Based Organization Representative

- Barry Silverberg
Chief Executive Officer, Texas Association of Nonprofit Organizations
Community-Based Organization Representative

H.B. 492 directed the task force to present a report with legislative recommendations to the House Committee on Human Services, the House Committee on Public Health, and the Senate Health and Human Services Committee. The recommendations had to address methods for strengthening the capacity of FCBOs for managing human resources and funds and providing services to Texans in need. In addition, the legislation required the task force hold at least three public hearings throughout Texas to hear testimony from the public regarding strengthening nonprofit capacity of FCBOs. To achieve its objectives, the task force:

- Held five public hearings to receive testimony on strengthening nonprofit capacity, traveling to Houston, Dallas, Austin, Harlingen, and El Paso between March and June 2010;
- Expanded the public comment process beyond public hearings by offering Texans additional opportunity to submit written comments and recommendations by mail and e-mail between March and August 2010;
- Established a subcommittee comprised of task force members to collaborate with the OneStar Foundation and the Bush School of Government & Public Service at Texas A&M University (Bush School) to develop a task force survey seeking statewide input on nonprofit capacity building from small- and medium-sized FCBOs not heard through public hearings, mail, and e-mail;
- Held public meetings in September and October 2010 to consider all testimony, written comments, and task force survey results, and agreed on legislative recommendations to submit to the Texas legislature; and
- Presented a report with legislative recommendation to the House Committee on Human Services, House Committee on Public Health, and Senate Health and Human Services Committee on November 1, 2010.

H.B. 492 authorized HHSC to contract with OneStar, which serves as the State Commission on National and Community Service, to administer the Renewing Our Communities Account. OneStar works throughout Texas to strengthen the capacity of nonprofits to address community needs. HHSC worked in constant coordination with the OneStar Foundation to support task force efforts to implement all legislative requirements. The OneStar Foundation provided HHSC with critical strategic and technical support and funded all task force meetings and public hearings. In addition, the OneStar Foundation sponsored and funded the task force survey and collaborated with the Bush School to study survey results and aid the task force in understanding the needs of FCBOs in Texas.

SURVEY RESULTS SUMMARY

During summer, 2010, a subcommittee of task force members (Bee Moorhead, Barry Silverberg, and Angela Bies) and OneStar personnel (Anna McElearney, coordinating survey development, and Erin Brackney, providing substantive and research expertise) designed a survey of nonprofits to augment testimony provided at the spring, 2010 public hearings. The survey task force was charged with the tasks of eliciting input from nonprofits statewide; particular care was to be given to reach out to faith-based and community organizations, as well as the general population of Texas nonprofits.

Survey purposes were threefold:

- to obtain feedback on perceptions of and how to strengthen nonprofit capacity in Texas;
- to document nonprofit barriers to funding and management of funding relationships and contracts; and
- to understand nonprofit collaboration.

Please review the full compendium of survey results in Appendix C. A synopsis of key findings follows below.

Research Design & Survey Respondent Profile

The task force subcommittee and OneStar Foundation contracted O'Neil Associates, Inc. to host and tabulate an online survey of Texas nonprofit organizations during August, 2010. The fifteen minute anonymous survey utilized a mix of open and closed questions, designed to garner both unguarded and systematic responses. The survey contained some 70 items, organized around the following substantive areas:

- *strengthening nonprofit capacity*, a set of open questions designed to mirror guidance provided at the public hearings regarding capacity building needs and recommendations followed by specific questions on perceptions of cost, accessibility and effectiveness of extant capacity building providers;
- *relationships with funders*, comprising largely closed questions on access to information, barrier to, and experiences with funding from federal, state, and local funders, as well as private/corporate funders;
- *partnerships and collaborations*, comprising open questions relating to non-financial aspects of relationships with funders and other key collaborators.

The survey also sought extensive organizational demographic information.

Texas, not unlike other states, does not have a central database of nonprofit addresses (*this in and of itself poses challenges to nonprofit capacity building*); rather, researchers must rely on a hodge-podge of sources including data from nonprofit financial returns to the IRS, corporate filings, and lists from a diffuse set of network organizations and nonprofit associations. Additionally, to date there has been no systematic data list of religiously exempt nonprofit organizations and very small organizations, two categorizations sometimes overlapping the classifications of FBCOs and CBOs. These problems are further exacerbated by the spotty, at best, inclusion of e-mail contact information in the extant and accessible lists of nonprofit organizations. The result of this in many large-scale surveys of nonprofits is an over-representation of large and formalized nonprofits, to the exclusion of the somewhat vast population of small, local, and faith-based organizations comprising the nonprofit landscape.

To overcome these challenges and to obtain adequate input from FCBOs and CBOs, in addition to the larger population of Texas nonprofits, a network sampling strategy was employed, which utilized distribution of the survey through more than forty core networks of community, faith-based, and other nonprofits. A total of 716 responses were collected between July 30 and August 30, 2010. As demonstrated in the profile of survey respondents below, the task force research is particularly useful because the survey respondents represent the distribution of the population of nonprofits, including small, faith-based, and community organizations. In addition, human service, education, and health organizations are over-represented in comparison to general population estimates of the Texas nonprofit sector, appropriate given that this is the largest proportion of nonprofits funded by public agencies, a key focus of the research. This outcome is particularly compelling for the appropriateness and utility of the research findings presented herein to informing HB 492.

The following is the profile of survey respondents:

- The vast majority of the organizations surveyed are 501(c)(3) organizations.
 - The vast majority of organizations surveyed are involved in providing services (83%). Another 13% both provide funding and services. Only 4% of these organizations fund others but do not provide services.
 - Nearly a third of organizations surveyed (31%) were human service organizations. Another 16 % were health related, and 15 % were education related. And 10% were a combination of community improvement, capacity building and philanthropy. Youth development organizations represented 8% of the sample, with arts, culture and humanities and religious organizations each representing an additional 5% of surveyed organizations.
 - One-fifth (20%) are faith-based or religiously-affiliated.
 - Of the one-fifth that identified as being faith-based, Christian affiliations (unclassified or of a specific denomination) were most common. Six percent identified Jewish affiliations. None indicated a Muslim affiliation.
 - More than 30%, however, self-identified as either non-denominational or other.
 - Faith-based organizations are more likely to be smaller organizations.
- In terms of revenue sources, while variation exists by subfield and size, the study sample's composition suggests revenue diversity and representation of groups

experienced with institutional funding and contracts (e.g., private/corporate foundation and government funds).

- On average, individual donations comprise the largest revenue stream (at 27% of revenue).
- Government Grants (17% each) and Government Contracts (10%) comprise the second largest areas of revenue.
- The next largest revenue stream represented is Private/Corporate Funding (16%).
- With regard to paid personnel, the number of total employees also varies widely.
 - The median number of employees including both full and part-time employees is 12.
- The significance of volunteers varies widely by size of organizations.
 - Among those with no full-time employees, 60% consider volunteers to be very important. Among those with no paid employees whatsoever, this number rises to 70%.
 - Volunteers are also more significant among faith-based organizations.
 - Among this group, 45% consider volunteers to be very important and an additional 27% consider them to be important, a total of 73%.

Key Findings

Strengthening Nonprofit Capacity

- In response to the open question relating to the “number one capacity need for nonprofits”:
 - Fully 50%, with a great deal of unanimity, cited funding concerns, specifically the need for general operating support, multi-year support (particularly from foundations), and greater revenue diversification. Of these respondents, a common concern related to the “stigma of overhead” costs” or a desire to recognize reasonable overhead costs in nonprofits.
 - Nearly one third of respondents, cited leadership and management capacity as lacking.
- An additional one-third of respondents, indicated concern about costly and time-consuming duplicative, competing, or inconsistent reporting requirements.
- Nonprofits were then asked to offer recommendations for addressing the capacity needs of Texas nonprofits.
 - Relative to reporting and evaluation concerns, a majority of respondent (52%) indicated that given their frustration with reporting and a desire for greater use of reporting and evaluation findings by funders and nonprofit agencies themselves, so that such findings could be useful in building capacity. Illustrative of this point were numerous references to “the black hole” of reporting and evaluation; another offered an apt summary of this stream of responses, “If we are going to invest all of this time, effort, and money in meeting reporting requirements, let’s see them used.”
 - Recommendations related to collaboration, networks, and associations were also common (expressed by 48% of respondents), expressed primarily in terms of:
 - greater collaboration among/with funders on setting strategic goals.

- greater shared goals among nonprofits statewide:
 - greater collaboration of nonprofits (illustrative response: “*we are working in isolation*”).
 - collaborative work on shared policy interests (e.g., tax incentives for volunteering, retaining share of federal funds at state level, etc.)
 - More than one-third (38%) recommended taking steps to improve public awareness of nonprofits and importance of nonprofit sector to state and citizens.
 - And, 37% of respondents recommended strengthening “infrastructure”/information resources on capacity-building and technical resources for nonprofits. Questions identified relative to this recommendation included—Where are resources? How to access them? How to trust resources? How to use them?
- When asked about capacity needs internal to their organizations, nearly half of respondents cited technical capacity as the primary concern. (Technical capacity relates to the resources (e.g., skills, experience, knowledge, tools, facilities, technology, etc.) needed to implement all programmatic, organizational and community strategies.
- Nonprofit organizations were asked to identify to whom they look for assistance in strengthening their organization’s capacity and to assess accessibility, effectiveness, and cost.
 - In the general categorizations by type of provider: Nearly one-third identified foundations or other nonprofits, 13% donors (with no other explanation), and government (11%).
 - When categorized by specific providers: Foundations were identified most frequently (by 48% of respondents); all levels of government (30%); individuals, board members or internal nonprofit resources (30%) and local nonprofit management support centers and local United Ways (at 12% each).
 - In terms of accessibility, effectiveness and cost of providers: the affordability of providers is ranked measurably lower than either the accessibility or effectiveness of these organizations.
 - About five-in-six (83%*) respondents found those providers who assist in strengthening their organization’s capacity to be accessible. This includes one-in-five (21%) who find them to be very accessible.
 - Generally speaking, those with fewer full-time employees found providers to be less accessible than those with more full-time employees.
 - While a clear majority (59%) rated providers affordable, a considerable minority (41%) feel that these providers are expensive, including 6% who feel they are very expensive.

Relationships with Funders

In terms of Information on Funding:

- The most common means that these nonprofits hear about funding opportunities is through existing relationships with funding or other agency staffs.

- Existing relationships are particularly likely to be leveraged by larger organizations (whether measured by full-time employees or total number of employees).
- Existing relationships are also more likely to be used by that do not identify as faith-based.
- An implication of these findings is that small nonprofits and FBCOs may not operate within “networks” of government, private/corporate, or other institutional funders.
- Precisely half (50%) hear about funding opportunities through RFPs or word of mouth.
 - Again, RFPs are especially likely to be used by larger organizations, whether measured by the total number of employees or the number of full-time employees.
 - RFPs are also more likely to be used by organizations that provide services (58%) and organizations that are faith-based (57%).
- Somewhat fewer agencies here about funding opportunities through a variety of resources (41%), a funder’s website (40%) or other internet sources (37%).

In terms of *Barriers to Funding*, variation exists among types of funding sources.

Barriers to Federal Funding:

- Organizations experience a wide range of barriers to federal funding.
 - The most commonly cited were narrow application windows (33%), inexperience at writing proposals (31%), lack of fit between application requirements and a particular organization (31%) and restrictive applicant qualifications (30%).
 - Barriers mentioned slightly less often include an inability to raise match (26%), an inadequate overhead allowance (23%) and too low a level of funding for the effort required (21%).
 - Less commonly mentioned were systemic biases against organizations like the respondent’s and faith-based or religiously-affiliated organizational restrictions.
 - Interestingly, **the faith-based restriction was cited by 41% of faith-based organizations but only 6% of non-faith-based organizations.**
 - For faith-based organizations, **this 41% matched inexperience at writing proposals (also 41%) as the single greatest barrier to federal funding.**
- **Inexperience at writing proposals was a particularly salient problem for organizations with no full-time or no paid employees whatsoever.**
 - While this finding was not surprising, **the relationship was dramatic: The proportion doubled and was cited by a majority of small organizations.**

Barriers to State Funding:

- **Generally speaking, barriers to state funding were somewhat lower than barriers to federal funding**
- When asked for the most significant barriers in state funding, three items predominated: **inexperience at writing proposals or applications (24%)**, lack of fit with organization (28%), and restrictive applicant qualifications (10%).
 - Once again, **inexperience at writing proposals loomed large for those organizations with no full-time employees.**

- This was cited as a reason by 58% of those with no paid employees and 52% of those with no full-time employees. Furthermore, it was cited as the most important obstacle by 34% of those with no paid employees and 30% of those with no full-time employees.
- Furthermore, **faith-based or religious-based restrictions were an obstacle for 36% of faith-based organizations, and it was the most significant barrier for 16% of these organizations.**

Barriers to Local Funding:

- **Barriers to local funding were generally lower than those for either federal or state funding.**
 - Conspicuous exception--relatively small number who cited the amount of funding and brief grant period.
 - **Inexperience in grant writing** was an especially noteworthy issue again for organizations without a full-time employee (48% among those with no paid employees and 40% among those with no full-time employees). Furthermore, it was the single most significant obstacle for among 30% of organizations with no paid employees and 35% of those with no full-time employees.
 - One-third (33%) of faith-based organizations were far more likely to encounter **faith-based restrictions in local funding**, and 16% cited this as their most significant obstacle in obtaining local funding.

Barriers to Private and Corporate Funding:

- The most noteworthy obstacles to private and corporate funding were **lack of fit** (29%), **small levels of funding or short grant periods** (27%) and **restrictive applicant qualifications** (26%).
- Most other restrictions were generally lower than corresponding proportions for government funding.
- Thirty-nine percent (39%) of faith-based organizations found faith-based restrictions to be an obstacle in private or corporate funding.
 - Twenty-three percent (23%) of faith-based organizations cited it as the most significant obstacle to receiving private or corporate funding.

In terms of *Challenges Post-funding*, federal and state funding challenges were virtually identical; local funding challenges were considerably lower.

- The most significant post funding challenge in federal contracts, the dominant response (given by 18% of respondents) was **burdensome reporting requirements**.
- Somewhat less frequently cited were **insufficient operating or indirect cost support and a lack of personnel within the organization to manage the grant**, cited by 9% in each case.
- Post funding **challenges for state funding** were virtually **identical to those for federal funding**.
- Post funding **challenges for local funding** are **considerably lower** than for federal or state funding. The rank ordering of problems, however, was virtually identical.

- Private /Corporate challenges post-funding are **conspicuously different** from that which is evident in all levels of government funding. The most frequently cited challenge was **insufficient general operating support or indirect cost allowable**. Most post-funding challenges were evaluated as being lower than those for government funding, however.

Partnerships and Collaborations

Nearly 40% of respondents reported not collaborating or partnering in any manner.

Of those who *do partner or collaborate*, respondents reported several key ways, includingⁱ:

- combining programs or special events/activities (31 % of respondents)
- sharing funding and other resources including staff (27%)
- sharing information/best practices/and networking (23%)
- Identifying service gaps and duplicated services (11%)
- referring clients to other nonprofits (11%)
- as part of a larger formal network (9%)

The following challenges to partnerships and collaboration were cited:

- lack of time (22% of respondents)
- identified competition (17%)
- inability to find funding (14%)
- organizational fit with other organizations (13%)
- lack of staff to operate a collaborative effort (12%)
- organizational capacity, finding willing organizations, and communication difficulties (approximately 10% each)
 - Respondent nonprofits varied widely in terms of their use of volunteers.
 - Volunteers are more significant to organizations with no or limited paid staff, small organizations, and faith-based organizations.

Study Implications

This study identifies central concerns of Texas nonprofits regarding their individual and collective capacity, and sheds light on the complexities of strengthening nonprofit capacity and points to some of the worrisome barriers and challenges facing nonprofits in Texas. Further, key results from the study are salient in understanding the situations of FCBOs and small nonprofits, organizations previously understudied in Texas and elsewhere. Task Force members appreciate the generous participation of so many Texas nonprofits and the network organizations that helped facilitate distribution of the survey. It is from this strong empirical base that the Task Force deliberated and determined recommendations. It is the hope of the Task Force that this research will be of use to others interested in and in a position to strengthen nonprofit capacity in Texas.

ⁱ Note: some individual respondents provided more than one response, which is why the proportion of responses exceeds 100%.

LEGISLATIVE RECOMMENDATIONS

The task force identified four recommendation-categories using the four criteria below and aligned each recommendation under the appropriate category. Task force members agreed that legislative recommendations must satisfy the following criteria:

- Be specific and measurable;
- Be within the purview of the Texas legislature;
- Align and be congruent, as a whole; and
- Be consistent with applicable state and federal law.

Nonprofit Capacity Building

1. The legislature should create a line-item appropriation for the Renewing Our Communities Account (ROCA), in the Health and Human Services Commission (HHSC) budget, to build the capacity of small- and medium-sized FCBOs.
2. The legislature should direct HHSC to conduct and document special outreach to nonprofits in historically disadvantaged and underserved communities in soliciting ROCA proposals, and to give priority to historically disadvantaged and underserved communities in the awarding of funds.
3. The Lieutenant Governor of Texas and the Speaker of the Texas House of Representatives should issue interim charges directing one or more legislative committees to examine issues relating to nonprofit organizations' access to credit, and to explore ways in which the state could improve the nonprofit sector's access to capital for social innovations.
4. The legislature should direct the Texas Department of Insurance to develop mechanisms for affordable group employer-sponsored health insurance for employees of nonprofit organizations.

Grants and Contracts Process

5. The legislature should direct the Interagency Coordinating Group (ICG), established by House Bill 492, 81st Legislature, Regular Session, 2009, to develop and implement a plan to improve contracting relationships between state agencies and the nonprofit sector. In developing the plan, the ICG should:
 - Lead and manage a multi-agency effort to develop a simplified standardized grants and contracting system for use by state agencies that will include, but not be limited to:
 - Common application, metrics/reporting, compliance, and payment processes;

- A state-wide communications plan regarding state funding opportunities for nonprofit organizations with a special emphasis on reaching underserved areas;
 - Coordinated audit functions, including financial audits and monitoring;
 - Prompt payment provisions;
 - Use of “net grant principle” in grant and contract solicitations (net grant principle assures that the cost in time and money associated with applying for the grant is commensurate with the size of the grant awarded); and
 - Consideration of alternative and in-kind resources to meet local match requirements for nonprofit grantees and contractors.
- Develop strategies for investing in sustainable partnerships between state programs and nonprofit providers, including:
 - Aligning available funding to ensure that deliverables required of grantees and contractors realistically reflect the level of state funding appropriated and do not place grantees and contractors at a financial disadvantage;
 - Establishing reasonable and appropriate indirect and administrative cost structures; and
 - Encouraging multiple-year contracts and grants and continuation of funding for programs which have demonstrated success.

In developing the plan, the legislature should direct the presiding officer of the ICG to seek input from nonprofit contractors and grantees doing business with the state, including establishing workgroups and task forces as appropriate.

Communications Coordination

6. The legislature should continue the ICG. The ICG should be expanded to include the Governor’s Office, Department of Public Safety, Department of Insurance, Public Utility Commission, Office of the Attorney General, Department of Agriculture, Comptroller of Public Accounts, and other agencies. The ICG should be charged with sharing best practices for state agency and nonprofit cooperation and collaboration, identify duplication and gaps in service delivery among state agencies, and identify strategies for addressing these deficiencies. The ICG should establish a task force to assist them in this effort with representatives from private funders, local government, and FCBOs.
7. The legislature should direct the Department of Information Resources to consult with the ICG and its advisory committee to develop a user-friendly portal for local FCBOs to access

information on state funding opportunities, including grants and contract opportunities, best practices, and other pertinent information.

Tax Related Issues

8. The legislature should ensure a stable environment for nonprofit organizations by maintaining current tax policies related to nonprofit organizations.
9. The legislature should direct state agencies to maximize their acquisition of federal funds for nonprofit grant and contract programs.

APPENDIX A: H.B. 492, 81st Legislature, Regular Session, 2009

H.B. No. 492

1 AN ACT

2 relating to the expansion of faith- and community-based health and
3 human services and social services initiatives.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. (a) Subtitle I, Title 4, Government Code, is
6 amended by adding Chapter 535 to read as follows:

7 CHAPTER 535. PROVISION OF HUMAN SERVICES AND OTHER
8 SOCIAL SERVICES THROUGH FAITH- AND COMMUNITY-BASED ORGANIZATIONS

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 535.001. DEFINITIONS. In this chapter:

11 (1) "Community-based initiative" includes a social,
12 health, human services, or volunteer income tax assistance
13 initiative operated by a community-based organization.

14 (2) "Community-based organization" means a nonprofit
15 corporation or association that is located in close proximity to
16 the population the organization serves.

17 (3) "Faith-based initiative" means a social, health,
18 or human services initiative operated by a faith-based
19 organization.

20 (4) "Faith-based organization" means a nonprofit
21 corporation or association that:

22 (A) is operated through a religious or
23 denominational organization, including an organization that is
24 operated for religious, educational, or charitable purposes and

1 that is operated, supervised, or controlled, wholly or partly, by
2 or in connection with a religious organization; or

3 (B) clearly demonstrates through the
4 organization's mission statement, policies, or practices that the
5 organization is guided or motivated by religion.

6 (5) "State Commission on National and Community
7 Service" means the entity used as authorized by 42 U.S.C. Section
8 12638(a) to carry out the duties of a state commission under the
9 National and Community Service Act of 1990 (42 U.S.C. Section 12501
10 et seq.).

11 Sec. 535.002. PURPOSE. The purpose of this chapter is to
12 strengthen the capacity of faith- and community-based
13 organizations and to forge stronger partnerships between those
14 organizations and state government for the legitimate public
15 purpose of providing charitable and social services to persons in
16 this state.

17 Sec. 535.003. CONSTRUCTION. This chapter may not be
18 construed to:

19 (1) exempt a faith- or community-based organization
20 from any applicable state or federal law; or

21 (2) be an endorsement or sponsorship by this state of
22 the religious character, expression, beliefs, doctrines, or
23 practices of a faith-based organization.

24 Sec. 535.004. APPLICABILITY OF CERTAIN FEDERAL LAW. A
25 power authorized or duty imposed under this chapter must be
26 performed in a manner that is consistent with 42 U.S.C. Section
27 604a.

1 [Sections 535.005-535.050 reserved for expansion]

2 SUBCHAPTER B. GOVERNMENTAL LIAISONS FOR FAITH- AND
3 COMMUNITY-BASED ORGANIZATIONS

4 Sec. 535.051. DESIGNATION OF FAITH- AND COMMUNITY-BASED
5 LIAISONS. (a) The executive commissioner, in consultation with
6 the governor, shall designate one employee from the commission and
7 from each health and human services agency to serve as a liaison for
8 faith- and community-based organizations.

9 (b) The chief administrative officer of each of the
10 following state agencies, in consultation with the governor, shall
11 designate one employee from the agency to serve as a liaison for
12 faith- and community-based organizations:

13 (1) the Office of Rural Community Affairs;

14 (2) the Texas Commission on Environmental Quality;

15 (3) the Texas Department of Criminal Justice;

16 (4) the Texas Department of Housing and Community
17 Affairs;

18 (5) the Texas Education Agency;

19 (6) the Texas Juvenile Probation Commission;

20 (7) the Texas Veterans Commission;

21 (8) the Texas Workforce Commission;

22 (9) the Texas Youth Commission; and

23 (10) other state agencies as determined by the
24 governor.

25 Sec. 535.052. GENERAL DUTIES OF LIAISONS. (a) A faith- and
26 community-based liaison designated under Section 535.051 shall:

27 (1) identify and remove unnecessary barriers to

1 partnerships between the state agency the liaison represents and
2 faith- and community-based organizations;

3 (2) provide information and training, if necessary,
4 for employees of the state agency the liaison represents regarding
5 equal opportunity standards for faith- and community-based
6 organizations seeking to partner with state government;

7 (3) facilitate the identification of practices with
8 demonstrated effectiveness for faith- and community-based
9 organizations that partner with the state agency the liaison
10 represents;

11 (4) work with the appropriate departments and programs
12 of the state agency the liaison represents to conduct outreach
13 efforts to inform and welcome faith- and community-based
14 organizations that have not traditionally formed partnerships with
15 the agency;

16 (5) coordinate all efforts with the governor's office
17 of faith-based and community initiatives and provide information,
18 support, and assistance to that office as requested to the extent
19 permitted by law and as feasible; and

20 (6) attend conferences sponsored by federal agencies
21 and offices and other relevant entities to become and remain
22 informed of issues and developments regarding faith- and
23 community-based initiatives.

24 (b) A faith- and community-based liaison designated under
25 Section 535.051 may coordinate and interact with statewide
26 organizations that represent faith- or community-based
27 organizations as necessary to accomplish the purposes of this

1 chapter.

2 Sec. 535.053. INTERAGENCY COORDINATING GROUP. (a) The
3 interagency coordinating group for faith- and community-based
4 initiatives is composed of each faith- and community-based liaison
5 designated under Section 535.051 and a liaison from the State
6 Commission on National and Community Service.

7 (b) The commission employee designated as a liaison under
8 Section 535.051 is the presiding officer of the interagency
9 coordinating group.

10 (c) The interagency coordinating group shall:

11 (1) meet periodically at the call of the presiding
12 officer;

13 (2) work across state agencies and with the State
14 Commission on National and Community Service to facilitate the
15 removal of unnecessary interagency barriers to partnerships
16 between state agencies and faith- and community-based
17 organizations; and

18 (3) operate in a manner that promotes effective
19 partnerships between those agencies and organizations to serve
20 residents of this state who need assistance.

21 Sec. 535.054. REPORTS. (a) A liaison designated under
22 Section 535.051 shall:

23 (1) provide periodic reports to the executive
24 commissioner or other chief executive officer who designated the
25 liaison, as applicable, on a schedule determined by the person who
26 designated the liaison; and

27 (2) report annually to the governor's office of

1 faith- and community-based initiatives and as necessary to the
2 State Commission on National and Community Service regarding the
3 liaison's efforts to comply with the duties imposed under Sections
4 535.052 and 535.053.

5 (b) Each report made under Subsection (a)(2) must be made
6 available to the public through posting on the office of the
7 governor's Internet website, and the reports may be aggregated into
8 a single report for that purpose.

9 [Sections 535.055-535.100 reserved for expansion]

10 SUBCHAPTER C. RENEWING OUR COMMUNITIES ACCOUNT

11 Sec. 535.101. DEFINITION. In this subchapter, "account"
12 means the renewing our communities account.

13 Sec. 535.102. PURPOSES OF SUBCHAPTER. Recognizing that
14 faith- and community-based organizations provide a range of vital
15 charitable services to persons in this state, the purposes of this
16 subchapter are to:

17 (1) increase the impact and effectiveness of those
18 organizations;

19 (2) forge stronger partnerships between those
20 organizations and state government so that communities are
21 empowered to serve persons in need and community capacity for
22 providing services is strengthened; and

23 (3) create a funding mechanism that builds on the
24 established efforts of those organizations and operates to create
25 new partnerships in local communities for the benefit of this
26 state.

27 Sec. 535.103. RENEWING OUR COMMUNITIES ACCOUNT. (a) The

1 renewing our communities account is an account in the general
2 revenue fund that may be appropriated only to the commission for the
3 purposes and activities authorized by this subchapter and for
4 reasonable administrative expenses under this subchapter.

5 (b) The account consists of:

6 (1) all money appropriated for the purposes of this
7 subchapter;

8 (2) any gifts, grants, or donations received for the
9 purposes of this subchapter; and

10 (3) interest earned on money in the account.

11 (c) The account is exempt from the application of Section
12 403.095.

13 (d) The purposes of the account are to:

14 (1) increase the capacity of faith- and
15 community-based organizations to provide charitable services and
16 to manage human resources and funds;

17 (2) assist local governmental entities in
18 establishing local offices to promote faith- and community-based
19 initiatives; and

20 (3) foster better partnerships between state
21 government and faith- and community-based organizations.

22 Sec. 535.104. POWERS AND DUTIES REGARDING ACCOUNT. (a) The
23 commission shall:

24 (1) contract with the State Commission on National and
25 Community Service to administer funds appropriated from the account
26 in a manner that:

27 (A) consolidates the capacity of and strengthens

1 national service and community and faith- and community-based
2 initiatives; and

3 (B) leverages public and private funds to benefit
4 this state;

5 (2) develop a competitive process to be used in
6 awarding grants from account funds that is consistent with state
7 law and includes objective selection criteria;

8 (3) oversee the delivery of training and other
9 assistance activities under this subchapter;

10 (4) develop criteria limiting awards of grants under
11 Section 535.105(1)(A) to small and medium-sized faith- and
12 community-based organizations that provide charitable services to
13 persons in this state;

14 (5) establish general state priorities for the
15 account;

16 (6) establish and monitor performance and outcome
17 measures for persons to whom grants are awarded under this
18 subchapter; and

19 (7) establish policies and procedures to ensure that
20 any money appropriated from the account to the commission that is
21 allocated to build the capacity of a faith-based organization or
22 for a faith-based initiative, including money allocated for the
23 establishment of the advisory committee under Section 535.108, is
24 not used to advance a sectarian purpose or to engage in any form of
25 proselytization.

26 (b) Instead of contracting with the State Commission on
27 National and Community Service under Subsection (a)(1), the

1 commission may award account funds appropriated to the commission
2 to the State Commission on National and Community Service in the
3 form of a grant.

4 (c) Any funds awarded to the State Commission on National
5 and Community Service under a contract or through a grant under this
6 section must be administered in the manner required by this
7 subchapter, including Subsection (a)(1).

8 (d) The commission or the State Commission on National and
9 Community Service, in accordance with the terms of the contract or
10 grant, as applicable, may:

11 (1) directly, or through agreements with one or more
12 entities that serve faith- and community-based organizations that
13 provide charitable services to persons in this state:

14 (A) assist faith- and community-based
15 organizations with:

16 (i) writing or managing grants through
17 workshops or other forms of guidance;

18 (ii) obtaining legal assistance related to
19 forming a corporation or obtaining an exemption from taxation under
20 the Internal Revenue Code; and

21 (iii) obtaining information about or
22 referrals to entities that provide expertise in accounting, legal,
23 or tax issues, program development matters, or other organizational
24 topics;

25 (B) provide information or assistance to
26 faith- and community-based organizations related to building the
27 organizations' capacity for providing services;

1 (C) facilitate the formation of networks, the
2 coordination of services, and the sharing of resources among
3 faith- and community-based organizations;

4 (D) in cooperation with existing efforts, if
5 possible, conduct needs assessments to identify gaps in services in
6 a community that present a need for developing or expanding
7 services;

8 (E) work with faith- and community-based
9 organizations to identify the organizations' needs for
10 improvements in their internal capacity for providing services;

11 (F) provide faith- and community-based
12 organizations with information on and assistance in identifying or
13 using practices with demonstrated effectiveness for delivering
14 charitable services to persons, families, and communities and in
15 replicating charitable services programs that have demonstrated
16 effectiveness; and

17 (G) encourage research into the impact of
18 organizational capacity on program delivery for faith- and
19 community-based organizations;

20 (2) assist a local governmental entity in creating a
21 better partnership between government and faith- and
22 community-based organizations to provide charitable services to
23 persons in this state; and

24 (3) use funds appropriated from the account to provide
25 matching money for federal or private grant programs that further
26 the purposes of the account as described by Section 535.103(d).

27 (e) The commission shall monitor the use of the funds

1 administered by the State Commission on National and Community
2 Service under a contract or through a grant under this section to
3 ensure that the funds are used in a manner consistent with the
4 requirements of this subchapter. Records relating to the award of a
5 contract or grant to the State Commission on National and Community
6 Service, or to grants awarded by that entity, and records relating
7 to other uses of the funds are public information subject to Chapter
8 552.

9 (f) If the commission contracts with or awards a grant to
10 the State Commission on National and Community Service under this
11 section, this subchapter may not be construed to:

12 (1) release that entity from any regulations or
13 reporting or other requirements applicable to a contractor or
14 grantee of the commission;

15 (2) impose regulations or reporting or other
16 requirements on that entity that do not apply to other contractors
17 or grantees of the commission solely because of the entity's
18 status;

19 (3) alter the nonprofit status of that entity or the
20 requirements for maintaining that status; or

21 (4) convert that entity into a governmental entity
22 because of the receipt of account funds through the contract or
23 grant.

24 Sec. 535.105. ADMINISTRATION OF ACCOUNT FUNDS. If under
25 Section 535.104 the commission contracts with or awards a grant to
26 the State Commission on National and Community Service, that
27 entity:

1 (1) may award grants from funds appropriated from the
2 account to:

3 (A) faith- and community-based organizations
4 that provide charitable services to persons in this state for
5 capacity-building purposes; and

6 (B) local governmental entities to provide seed
7 money for local offices for faith- and community-based initiatives;
8 and

9 (2) shall monitor performance and outcome measures for
10 persons to whom that entity awards grants using the measures
11 established by the commission under Section 535.104(a)(6).

12 Sec. 535.106. REPORTS AND PUBLIC INFORMATION. (a) The
13 commission shall provide a link on the commission's Internet
14 website to the Internet website of the State Commission on National
15 and Community Service if the commission contracts with or awards a
16 grant to that entity under Section 535.104. The entity's Internet
17 website must provide:

18 (1) a list of the names of each person to whom the
19 entity awarded a grant from money appropriated from the account and
20 the amount and purpose of the grant; and

21 (2) information regarding the methods by which the
22 public may request information about those grants.

23 (b) If awarded a contract or grant under Section 535.104,
24 the State Commission on National and Community Service must provide
25 to the commission periodic reports on a schedule determined by the
26 executive commissioner. The schedule of periodic reports must
27 include an annual report that includes:

1 (1) a specific accounting with respect to the use by
2 that entity of money appropriated from the account, including the
3 names of persons to whom grants have been awarded and the purposes
4 of those grants; and

5 (2) a summary of the efforts of the faith- and
6 community-based liaisons designated under Section 535.051 to
7 comply with the duties imposed by and the purposes of Sections
8 535.052 and 535.053.

9 (c) The commission shall post the annual report made under
10 Subsection (b) on the commission's Internet website and shall
11 provide copies of the report to the governor, the lieutenant
12 governor, and the members of the legislature.

13 Sec. 535.107. TASK FORCE ON STRENGTHENING NONPROFIT
14 CAPACITY. (a) The executive commissioner, in consultation with
15 the governor, shall establish a task force to make recommendations
16 for strengthening the capacity of faith- and community-based
17 organizations for managing human resources and funds and providing
18 services. The members of the task force must include:

19 (1) representatives from state agencies, nonprofit
20 organizations, the academic community, and the foundation
21 community; and

22 (2) other individuals who have expertise that would be
23 valuable to the task force.

24 (b) Using money appropriated from the account, the task
25 force shall hold at least three public hearings in various
26 geographic areas of this state, at least one of which must be
27 outside of Central Texas. The task force shall hear testimony at

1 the hearings regarding strengthening the capacity of faith- and
2 community-based organizations to manage human resources and funds
3 and provide services.

4 (c) The task force is not required to hold a public hearing
5 if the remaining money appropriated from the account to the
6 commission for the state fiscal biennium is insufficient for the
7 performance of the duties or activities under this subchapter.

8 (d) The task force shall present a report and legislative
9 recommendations to the House Committee on Human Services or its
10 successor, the House Committee on Public Health or its successor,
11 and the Senate Health and Human Services Committee or its successor
12 not later than September 1, 2010, regarding its recommendations.

13 (e) This section expires September 1, 2011.

14 Sec. 535.108. RENEWING OUR COMMUNITIES ACCOUNT ADVISORY
15 COMMITTEE. (a) The executive commissioner shall appoint leaders
16 of faith- and community-based organizations in this state to serve
17 on the renewing our communities account advisory committee. The
18 advisory committee members must be representative of the religious,
19 cultural, and geographic diversity of this state and the diversity
20 of organization types and sizes in this state.

21 (b) The advisory committee shall make recommendations to
22 the executive commissioner regarding the powers and duties with
23 respect to the account as described by Section 535.104.

24 (c) Except as otherwise provided by this subsection, the
25 advisory committee shall meet at least twice each calendar year.
26 The advisory committee is not required to meet if the remaining
27 amount appropriated from the account to the commission for the

1 state fiscal biennium is insufficient for the performance of any
2 duties or activities under this subchapter.

3 (d) Chapter 2110 does not apply to the advisory committee.

4 (e) The advisory committee is subject to Chapter 551.

5 (b) The executive commissioner of the Health and Human
6 Services Commission and the chief executive officers of the Office
7 of Rural Community Affairs, the Texas Commission on Environmental
8 Quality, the Texas Department of Criminal Justice, the Texas
9 Department of Housing and Community Affairs, the Texas Education
10 Agency, the Texas Juvenile Probation Commission, the Texas Veterans
11 Commission, the Texas Workforce Commission, the Texas Youth
12 Commission, and any other state agency as determined by the
13 governor shall designate the liaisons for faith- and
14 community-based initiatives as required under Section 535.051,
15 Government Code, as added by this section, not later than December
16 1, 2009.

17 (c) The interagency coordinating group established under
18 Section 535.053, Government Code, as added by this section, shall
19 hold its first meeting not later than February 1, 2010.

20 SECTION 2. This Act does not make an appropriation. A
21 provision in this Act that creates a new governmental program,
22 creates a new entitlement, or imposes a new duty on a governmental
23 entity is not mandatory during a fiscal period for which the
24 legislature has not made a specific appropriation to implement the
25 provision.

26 SECTION 3. If before implementing any provision of this Act
27 a state agency determines that a waiver or authorization from a

1 federal agency is necessary for implementation of that provision,
2 the agency affected by the provision shall request the waiver or
3 authorization and may delay implementing that provision until the
4 waiver or authorization is granted.

5 SECTION 4. This Act takes effect immediately if it receives
6 a vote of two-thirds of all the members elected to each house, as
7 provided by Section 39, Article III, Texas Constitution. If this
8 Act does not receive the vote necessary for immediate effect, this
9 Act takes effect September 1, 2009.

APPENDIX B: Literature Review

Summary of Literature:

Nonprofit Capacity Building and

Nonprofit Support Infrastructure

1 November 2010

Please Note: *At the request of the Texas Health and Human Services Commission (HHSC) Task Force on Strengthening Nonprofit Capacity, graduate student researchers in the Masters of Public Service Administration at the Bush School of Government and Public Service, Texas A & M University, under the supervision of faculty member, Angela L. Bies, respectfully submit this brief summary of the academic literature on nonprofit capacity building and the nonprofit support infrastructure as background material.*

Use of this document to inform efforts related to HB 492 can be supplemented by further review of the recent research on the nonprofit-funding relationship from the Government Accounting Office and on nonprofit employment in Texas by Johns Hopkins University and the OneStar Foundation, which we review on pages 5-6 of this report and list in the reference section.

Bush School of Government & Public Service, Texas A & M University graduate student researchers: *Yusun Cho, Victor Gongora, Annie Haymond, Joy Jauer, Emily Neal, Eddiemae Nash, Julie Rogers, and Chang Yun*

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Background

Nonprofit capacity building and the nonprofit support infrastructure have emerged as an important element of the call to strengthen nonprofits. Much of the theoretical development and empirical study of nonprofit infrastructure organizations and capacity-building are in a relatively nascent stage, with most of the extant literature focusing on capacity-building (Backer, 2001; Bies & Millesen, 2006; Bies & Sinatra, 2006; Boris, 2001; Connolly & York, 2003; De Vita & Fleming, 2003; Light, 2003; Linnell, 2003; Millesen & Bies, 2004; Millesen & Bies, 2005; Millesen, Carman & Bies, in press; Sussman, 2003; Wing, 2004). Recent study of nonprofit infrastructure organizations moves the literature forward in two primary ways: providing a focus on nonprofit support infrastructure (and related conceptions, definitions, and measures) and extending the conception of nonprofit support infrastructure beyond the more prevalent and narrower focus on capacity-building (Malveaux, 2007; Paarlberg & Varda, 2009; Sobeck & Agius, 2007; Renz, 2008). Emerging literature incorporates capacity-building as a role and function inherent to and a part of any notion of the nonprofit support infrastructure.

Although recent studies distinguish between capacity building and nonprofit support infrastructure, the larger discussion of capacity building is not always clear. The net result is some confusion in the nonprofit practice and academic lexicons, with sometimes vague, imprecise, overlapping or competing conceptions of terms relating to nonprofit infrastructure and capacity building. The brief review of recent literature on capacity building that follows summarizes key studies on nonprofit capacity building. The review also includes a comparative analysis of the Texas nonprofit capacity-building structure with other states and a snapshot of the discussion on capacity building as a function of infrastructure support.

Definitions and Core Concepts of Nonprofit Capacity Building

Multiple definitions of capacity-building exist in the literature. Sobeck and Agius note that “capacity building has become an important tool to support nonprofit organizations by giving them training, technical assistance and other resources to achieve their mission” (2007, 237). Work by Malveaux (2007) and Wing (2004) reinforces the importance of capacity building and points to the challenges funders face in identifying organizations with appropriate and effective levels of organizational capacity. Similarly, Connolly and Lukas (2002) and Blumenthal (2003) have produced volumes devoted to providing funders with guidance on how best to approach nonprofit capacity. The National Council of Nonprofits defines capacity building in general terms: “Simply put, nonprofit capacity building refers to activities that improve and enhance a nonprofit’s ability to achieve its mission and sustain itself over time” (NCN, 2010).

In much of the literature on capacity building, conceptions and definitions of capacity building have been focused on the organizational level, either situating nonprofit organizations within the context of capacity-building resources or as an exchange between capacity-building providers and nonprofit organizations (Millesen & Bies, 2004). Connolly and York (2003) also conceptualize capacity building at the organizational level, but further refine capacity building

around four central types of capacity: adaptive, leadership, management, and technical capacity¹. These capacities are defined in the following ways:
adaptive capacity refers to the ability of a nonprofit to monitor and respond to external and internal challenges;
leadership capacity refers to the board and the executive leadership and vision;
technical capacity relates to the ability of an organization to conduct its operations and programs;
and
management capacity focuses on the use of organizational resources and personnel, volunteer and paid. (Connolly and York 2003)

Work by David Renz (2008) is more extensive and uses the organization as the unit of analysis. According to his definition, capacity-building organizations are those that, “build the capacity of individual nonprofit organizations through management assistance and support, organization development, and other consulting and support services” (2008, 13). Renz further defines 11 key functions of the nonprofit support infrastructure, encompassing the capacity-building function but extending beyond to define other core infrastructure functions to include self-regulation, nonprofit advocacy, nonprofit associations and networks, nonprofit management education, and funders. The Renz nonprofit support infrastructure conceptions are being used in research sponsored by the Meadows Foundation and OneStar Foundation and carried out by the Bush School of Government and Public Service at Texas A & M University (Bies et al, 2009-2011) to “map” the nonprofit infrastructure in Texas.

In 2003, an Arizona initiative sought to determine the need for association, coordination, linkages, and new strategies and structures to accommodate the nonprofit community. The term capacity building is used in the Arizona study, but the term encompasses much more of Renz’s definition of infrastructure functions (Arizona Nonprofit Capacity Building Initiative Executive Committee, 2003). Related studies, in which the term capacity building is used, have also been conducted in other states, including Pennsylvania (Millesen & Bies, 2004) and Minnesota (Bies, 2006). The goals of the research in the Pennsylvania and Minnesota studies were to assess the adequacy of capacity-building resources and to make recommendations for improving the nonprofit support system.

Nonprofit Capacity-building at the State Level

States have encountered specific problems in their attempts to strengthen the nonprofit infrastructure for capacity-building. In Arizona, researchers conducted a survey of organizations throughout the state and formulated conclusions on the quality of capacity-building. Researchers found that nonprofits tend to be displeased with the offered capacity-building resources and would be willing to participate in an association if it would improve the availability and accessibility of those resources. In addition, researchers found that there is agreement among brokers and nonprofits concerning the need for a mechanism to connect nonprofits with resources. Lastly, they determined that the size and location of organizations affected their awareness of the availability of services and providers, which they posited could be remedied by

¹ The Connolly and York (2003) definitions were utilized by the HHSC Task Force on Strengthening Nonprofit Capacity in presentations at the public hearings during spring, 2010 and in the August, 2010 survey of nonprofits.

a centralized organization (Arizona Nonprofit Capacity Building Initiative Executive Committee, 2003).

Studies conducted in other regions of the country provide additional insight into efforts to improve capacity building. In an examination of the Forbes Funds, a grantmaking organization that provides capacity-building and support services to nonprofits in the Pittsburgh area, researchers formulated recommendations to aid Forbes Funds in furthering its mission. These recommendations included: fostering credible and collaborative leadership, a centralized institutional headquarters and endowed administration, more committed community philanthropic partners, and the use of diverse resources to take on projects (Kearns, 2004).

Forbes has funded additional geographic studies in Pennsylvania. Key findings from these reports include: capacity building is influenced by nonprofit incentives such as access to funding, legitimacy concerns, and views that capacity building investments are related to and will strengthen mission and not just “overhead”; employment of strategies to align nonprofit incentives in favor of capacity building is needed by funders and nonprofit intermediaries such as nonprofit associations and networks; and economic incentives could foster nonprofit organizations to combine resources, especially for non-mission services and functions to further contribute to their organizational capacity (Bies & Millesen, 2005; Bies & Sinatra, 2006).

Moreover, one Forbes study focused on directly comparing the nonprofit sector in the Pittsburgh area to that of Austin, Texas. Researchers concluded that there are several key differences in capacity-building in the two areas, which might be a result of local resources; organizational age, size and staffing; and other contextual or cultural factors (Bies & Millesen, 2005; Bies & Sinatra, 2006). A study of the San Francisco area revealed that the nonprofit sector struggles most with the procurement of funding and resources (San Francisco Urban Institute for Nonprofit Organization Management, 2009). Additionally, there have been a series of studies focusing on the improvement of nonprofit capacity building resources in metropolitan areas, including: Denver, CO; Lake County, IN; Summit County, OH; Philadelphia, PA; and Bibb County, GA (Urban Institute, 2010). These studies have helped experts frame capacity issues in terms of the nonprofit role in building community capacity rather than on individual nonprofit needs.

Lee Draper’s (2005) work also provides insight from nonprofits around the country on the issues of nonprofit capacity-building resources by presenting five different case studies based on anonymous interviews. Draper concludes that sustainable nonprofit organizations are achievable through capacity-building support and that the quality, effectiveness and availability of services are made possible by the funders that strive to reinforce nonprofits from the inside out, i.e. through deliberative and strategic funding relationships that focus on learning and improvement. Draper also warns that fostering relationships between funders in the nonprofit sector necessitates sensitivity and cooperation with the nonprofits, which is a vital aspect of successful capacity-building.

Recent Contributions to Literature on Nonprofit Capacity Building

Community Carrying Capacity

A topic of recent research has been the capacity of a community to support nonprofits. Paarlberg and Varda examine the available resources of a community for nonprofits (e.g. funding, services, in-kind goods, etc.) and whether resources have an effect on the “carrying capacity” of a community (2009, 597). The authors propose that the relationships and exchanges among these organizations are more important to their ability to be effective than the available resources. The infrastructure support scheme is a collected system of resources (Renz, 2008), and the process in which nonprofit organizations exchange resources and information provides a snapshot of the organizations within the nonprofit infrastructure. When combined with research on how the infrastructure organizations function, the snapshot will illuminate the needs or gaps within the respective network, as well as the needs of the network that are relational in nature versus solely resource-based (Paarlberg & Varda, 2009).

Nonprofit Employment

Additionally, there are several other recent contributions to the literature regarding the nonprofit sector that address employment, nonprofit-state funding relationship, and evaluation. For example, the Johns Hopkins Center for Civil Society Studies and the OneStar Foundation: Texas Center for Social Impact released a report describing the size, composition, distribution, and growth of paid employment in the state’s charitable organizations in August 2010. In the report, “Texas Nonprofit Employment Update”, Geller and Salamon draw upon Texas Workforce Commission data gathered through the Quarterly Census of Employment and Wages to explore trends in the workforce. Their research led to several key findings. First, the state’s nonprofit sector represents a significant economic force and employs almost five times the number of workers as the oil and gas extraction industry in Texas. The employees also contribute about \$1.6 billion to state and local tax revenues. The industry grew by 3.1% from 2007 to 2008 with the most gains in the professional, scientific, and technical services field and more than half of nonprofit jobs held in the health services field. Between 2002 and 2008, however, research shows that for-profits operating in the same field have grown faster than their nonprofit counterparts. The study found that weekly wages of nonprofit employees were lower than for-profit employees but the reverse was true in industries with significant participation from both nonprofit and for-profits. Additionally, the geographic distribution of nonprofit employment is concentrated in metropolitan areas but spans rural and urban areas as well (Geller and Salamon, 2010).

Public Contracting and Grants to Nonprofits: Accounting and Overhead

In a May 2010 Report to the House Committee on the Budget, the Government Accountability Office (GAO) explored the variance of the accounting treatment and reimbursement of indirect costs in several types of grant programs. The GAO studied grant relationships between 17 nonprofits and six Departments of Health and Human Services and Housing and Urban Development in Louisiana, Maryland, and Wisconsin. Researchers reviewed policies and documents and conducted interviews of relevant officials and leaders. Despite federal guidelines regarding grant award procedures, differences in terminology, reimbursement methods, and gap funding existed across federal, state, and local government practices. These differences raised concerns about fiscal strain in the nonprofit sector. The study documented variance in reimbursement rates for the same grant across the three states as well as variance in definitions of

“indirect cost.” Further, many nonprofits experienced funding gaps when grant income failed to cover the indirect (or administrative) costs, causing the organizations to cut services or administrative functions in the office. As a result, the study recommended that the OMB provide more clarity and improved understanding of the treatment of indirect costs (United States Government Accountability Office, 2010).

Evaluation Capacity

In a November 2009 publication, Carman and Fredericks explored the evaluation capacity of nonprofits through a cluster analysis. They sampled 340 organizations from three human service fields (social services, physical or developmental disabilities, and housing and community development) in Ohio and New York that typically require evaluation with a mail survey. They found three types of organizations: those struggling with evaluation efforts all-around, those satisfied with their approach but struggling with implementation, and those generally satisfied with evaluation practices but struggling with a lack of time to devote to them. Carman and Fredericks found that success in implementing evaluation may relate to an organization’s developmental stages and that organizations struggling with technical capacity also struggled with evaluation. They suggest that using learning networks, using evaluation as an internal management tool, and training both organization leadership and board members may help nonprofits implement evaluation techniques. Further, the type of assistance nonprofits require varies across organizations according to their needs—ranging from developing computer infrastructure to technical assistance for evaluation system design (Carman and Fredericks, 2009).

Conclusion

While the emerging and recent literature discussed in this review makes a distinction between capacity building and the larger idea of nonprofit infrastructure support, it is not accurate to say that these are the only works to address the defined functions. Capacity building and infrastructure support have been used interchangeably by many, and research has focused on the functions of infrastructure support. For example, Da Vita, Fleming and Twombly (2001) put forth recommendations and a framework for addressing the problem of nonprofit capacity. Young (1996) examines the self-regulation role of national or federated organizations vis-à-vis nonprofit capacity and improvement. The emerging and recent literature contributes a way of defining infrastructure support functions and distinguishing amongst those functions. The latest works also provide a framework for researchers to move forward in the study of nonprofit infrastructure organizations.

The nonprofit sector is an economic force in Texas providing significant revenues and jobs. The research discussed in this literature review is intended to provide a background of nonprofit capacity building to assist in understanding the nonprofit infrastructure of Texas. Although research on nonprofit capacity building and nonprofit infrastructure organizations is a relatively young field, findings point to the need for such organizations to build a strong, successful and sustainable nonprofit sector.

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APPENDIX C: Task Force Survey Report

Survey of Texas Nonprofit Organizations

Commissioned by and presented to the
Texas Health and Human Services Commission
Task Force on Strengthening Nonprofit Capacity
from
Angela L. Bles, Ph.D.
Task Force Member
Faculty member, Bush School of Government & Public Service
Texas A & M University

With funding from


onestar
Foundation
HELPING ORGANIZATIONS DO BETTER FOR PEOPLE THEY SERVE

November 1, 2010

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Page 2

BACKGROUND

Page 3

BACKGROUND

- ◇ TX Health and Human Services Commission (HHSC) Task Force on Strengthening Nonprofit Capacity commissioned a statewide survey of nonprofits on the issue of strengthening nonprofit capacity.
- ◇ The survey goal was to obtain feedback on perceptions of and how to strengthen nonprofit capacity in Texas.
- ◇ The Task Force delegated survey design to a subcommittee of its members to include: Angela Bies, lead researcher on the project; Bee Moorhead, Executive Director, Texas Impact; and Barry Silverberg, Chief Executive Officer, Texas Association of Nonprofit Organizations. OneStar Senior Organizational Development Specialist Anna McElearney (formerly Libertino) was the lead for the survey design process, with research and evaluation expertise from Erin Brackney, Manager, Research, Evaluation and Learning.

Page 4

BACKGROUND

- ◇ O'Neil Associates, Inc. was contracted to host and tabulate a survey of Texas nonprofit organizations for the OneStar Foundation and HHSC Task Force on Strengthening Nonprofit Capacity.
- ◇ A network sampling strategy was employed, which utilized distribution of the survey through core networks of community, faith-based, and other nonprofits.
- ◇ A total of 716 responses were collected between July 30 and August 30, 2010.

Page 5

BACKGROUND

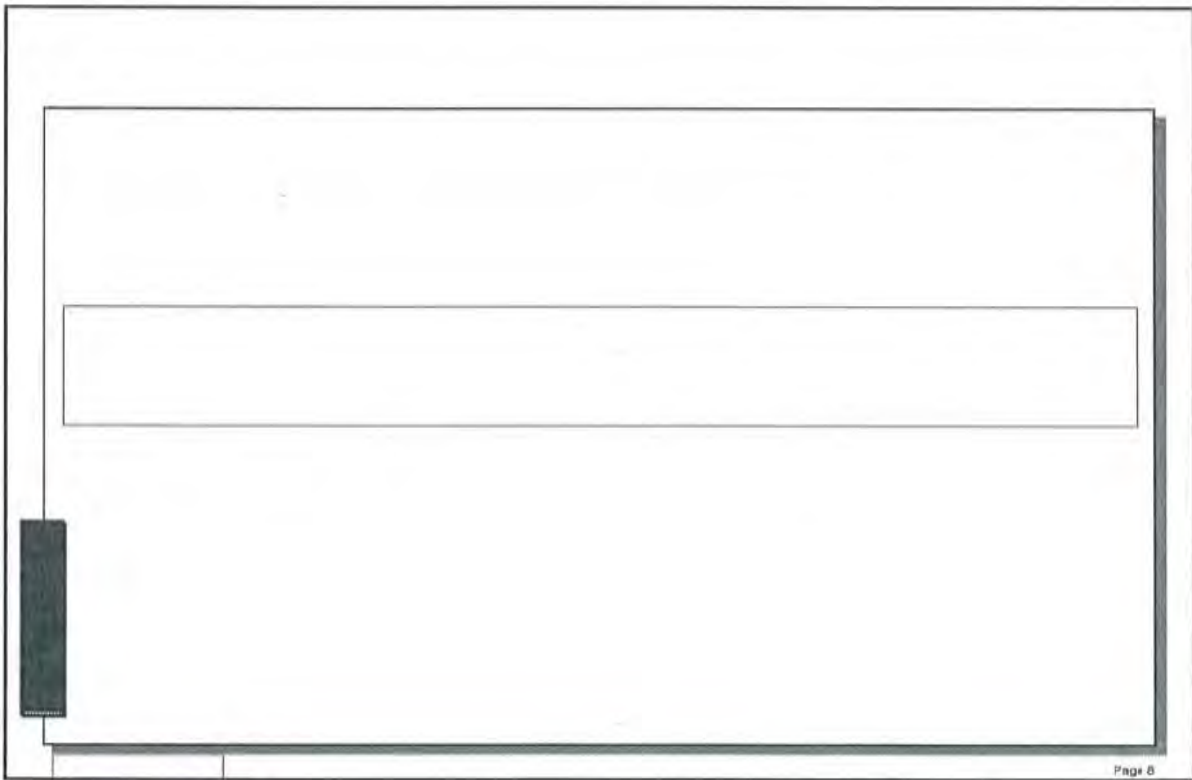
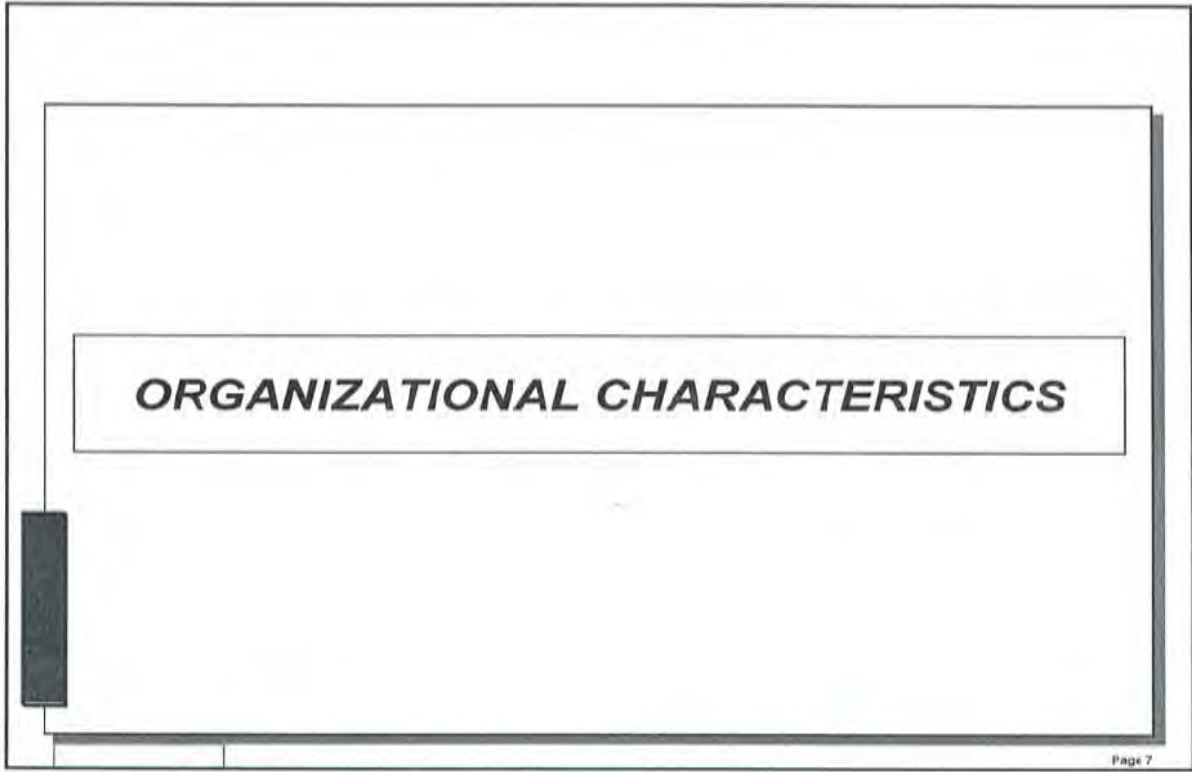
- ◇ O'Neil Associates, Inc. provided analytic support for the close-ended questions; Bush School of Government & Public Service graduate students provided analytic support of the open-ended questions. Graduate student researchers include: Yusun Cho, Victor Gongora, Annie Haymond, Joy Jauer, Emily Neal, Eddiemae Nash, Julie Rogers, and Chang Yun.
- ◇ The analyses which follow represent our professional opinions and not those of the OneStar Foundation or the HHSC Task Force on Strengthening Nonprofit Capacity.

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ORGANIZATIONAL STATUS

Is your organization...



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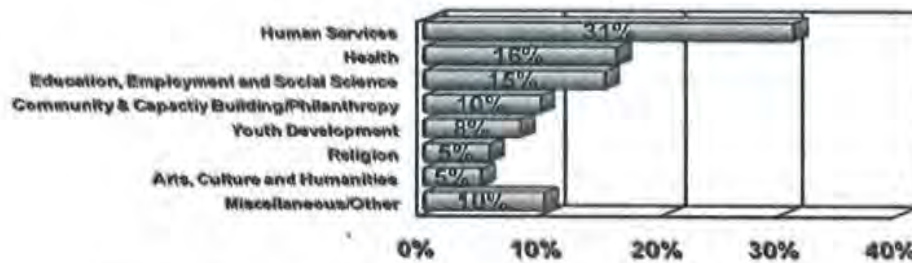
ORGANIZATIONAL STATUS

- ◇ The vast majority of the organizations surveyed are 501(c)(3) organizations (91%).
 - This number was slightly lower for organizations that provide both funds and services (79%), and those who use volunteers rarely (87%).

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Mission Area

Which ONE category does your organization BEST fall under?



* Human Services and Health both include several related categories. Education does not include higher education institutions or many p-16 schools.

*Miscellaneous/Other includes Environment, Animal Related, international Foreign Affairs and National Security, Civil Rights Social Action and Advocacy, Public and Social Benefit, Mutual Membership Benefit and Unknown.

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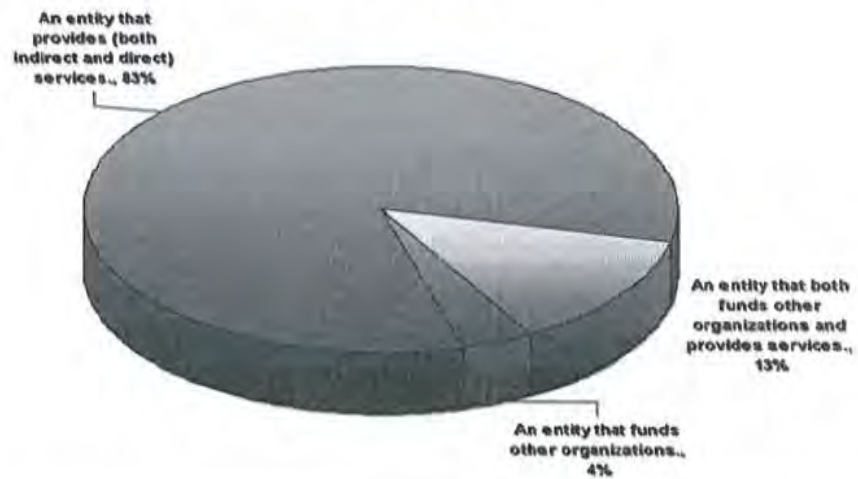
Mission Area

- ◇ Nearly a third of organizations surveyed (31%) were human service organizations. Another 16 % were health related, and 15 % were education related. And 10% were a combination of community improvement, capacity building and philanthropy. Youth development organizations represented 8% of the sample, with arts, culture and humanities and religious organizations each representing an additional 5% of surveyed organizations.
- ◇ Because of the study's purposive network sampling strategy, human services, health, youth development and capacity-building/philanthropy over-represent the general population of nonprofits (as evidenced in NCCS/TANO statewide compilations). In general, this study's sample also over-represents small, direct services, and faith-affiliated organizations. This is consistent, however, with the research study's goals (and ROCA focus) of understanding community-based and religious nonprofit organizations, as well as the general population of nonprofits.

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SERVICE PROVIDER / FUNDER

Is your organization...



Page 13

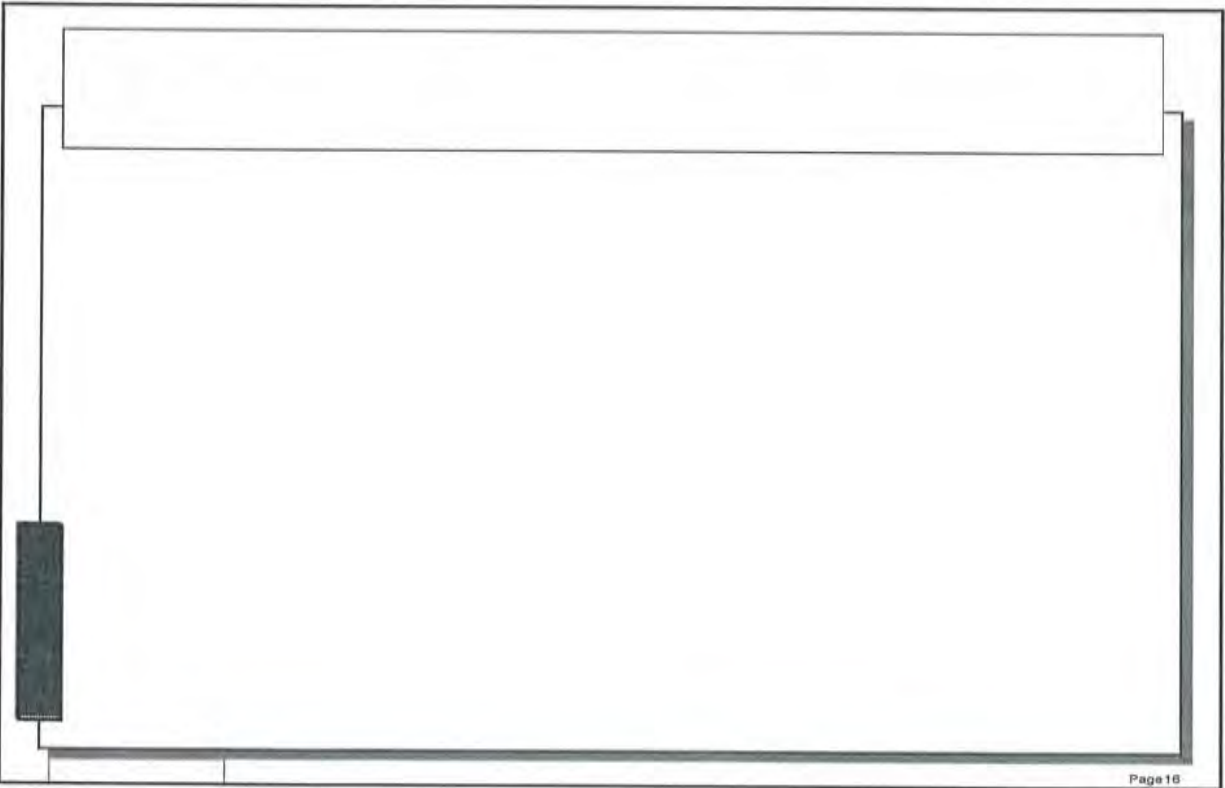
SERVICE PROVIDER / FUNDER

- ◇ The vast majority of organizations surveyed are involved in providing services (83%).
- ◇ Another 13% both provide funding and services.
- ◇ Only 4% of these organizations fund others but do not provide services.

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FAITH-BASED?

Do you identify your organization as faith-based or religiously-affiliated?



Faith affiliation?

<i>Faith Affiliation</i>	<i>Frequency</i>	<i>Percent</i>
Christian (Unclassified)	36	30%
Non-denominational	20	16%
Other	18	15%
Methodist	12	10%
Episcopal	10	8%
Baptist	7	6%
Catholic	7	6%
Presbyterian	5	4%
Jewish	4	3%
Lutheran	3	2%
Total Responses	122	100%

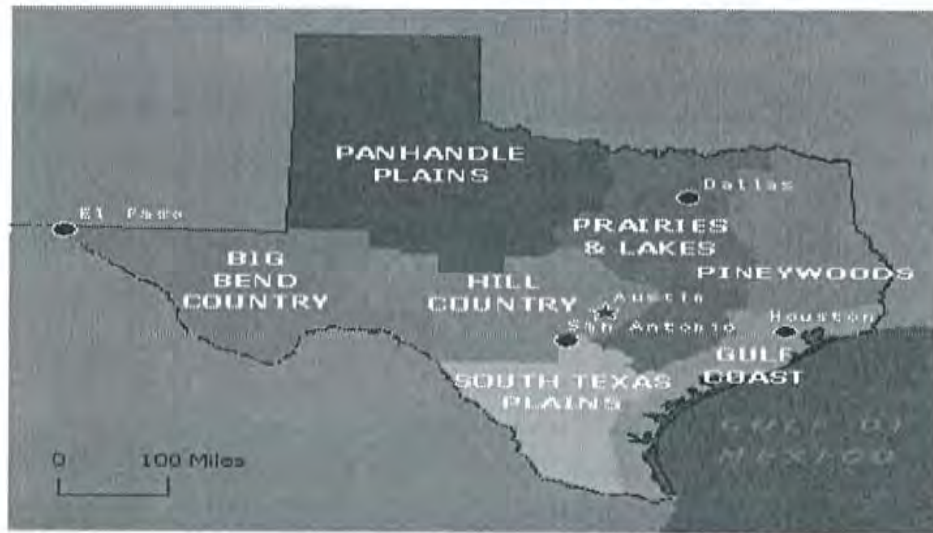
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FAITH-BASED?

- ◇ Four-fifths (80%) of surveyed nonprofits are not faith-based or religiously-affiliated. One-fifth (20%) are faith-based or religiously-affiliated.
- ◇ Of the one-fifth that identified as being faith-based, Christian affiliations (unclassified or of a specific denomination) were most common. Six percent identified Jewish affiliations. None indicated a Muslim affiliation. More than 30%, however, self-identified as either non-denominational or other.
- ◇ Faith-based organizations are more likely to be smaller organizations.

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GEOGRAPHIC DISTRIBUTION



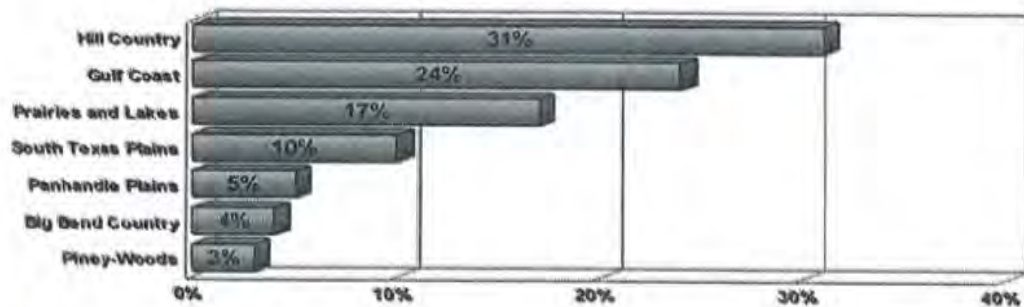
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Geographic Distribution

- ◇ The map utilized to define the geographic ranges within Texas is derived from the Texas Department of Agriculture; it is also used by "Texas Travel".

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GEOGRAPHIC DISTRIBUTION



Page 21

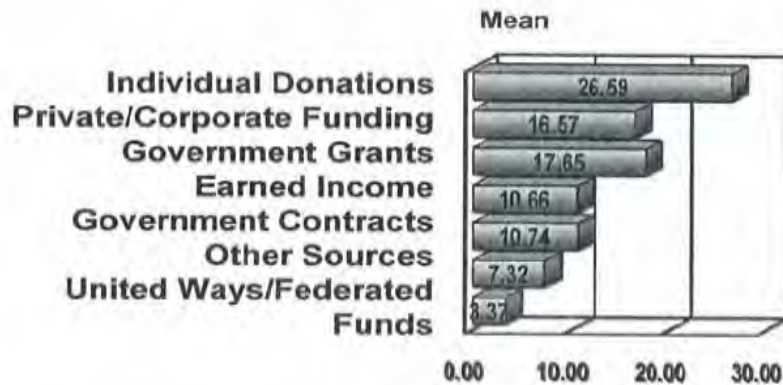
GEOGRAPHICAL DISTRIBUTION

- ◇ Responses were grouped by zip code into the following geographical regions within Texas: Hill Country, Gulf Coast, Prairies and Lake, South Texas Plains, Panhandle Plains, Big Bend Country and Piney-Woods.
- ◇ The most commonly cited region in Texas were Hill Country (31%) and Gulf Coast (24%).
- ◇ Cited slightly less often were Prairies and Lakes (17%) and South Texas Plains (10%).
- ◇ Panhandle Plains (5%), Big Bend Country (4%) and Piney-Woods (3%) were cited significantly less often.

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REVENUE SOURCES

What percentage of your annual operating budget comes from the following sources?



Page 23

REVENUE SOURCES

•On average, individual donations comprise the largest revenue stream (at 27% of revenue).

•The next largest revenue stream represented is Private/Corporate Funding (16%).

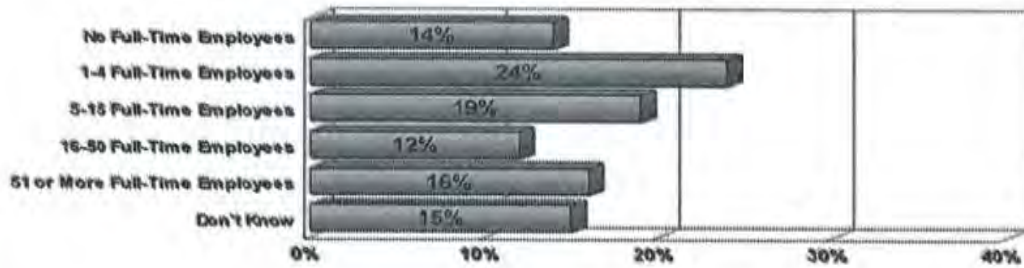
•In addition, Government Grants (17% each) and Government Contracts (10%) comprise the second largest areas of revenue.

•While variation exists by subfield and size, the study sample's composition suggests revenue diversity and representation of groups experienced with institutional funding and contracts (e.g., foundation and government funds).

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FULL-TIME EMPLOYEES

Approximately how many paid full-time employees does your organization have?



Page 25

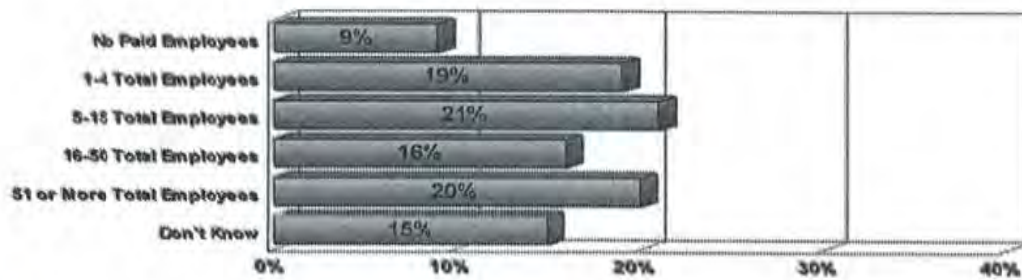
FULL-TIME EMPLOYEES

- ◇ The organizations surveyed varied widely in terms of size as measured by full-time employees.
- ◇ The median number of full-time employees is eight.

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TOTAL EMPLOYEES

Approximately how many paid employees does your organization have?



Page 27

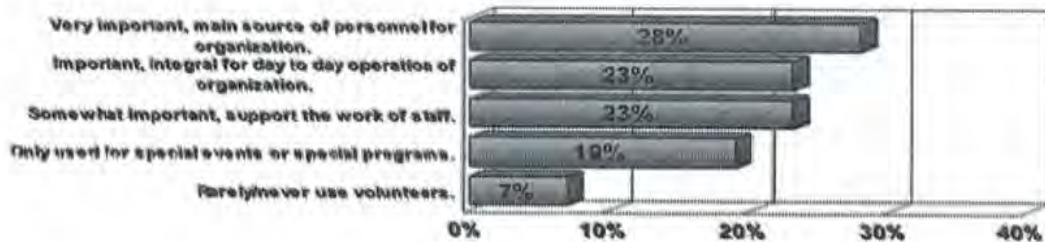
TOTAL EMPLOYEES

- ◇ The number of total employees also varies widely.
- ◇ The median number of employees including both full and part-time employees is 12.
- ◇ Not surprisingly, volunteers are conspicuously important in organizations with no employees.

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VOLUNTEERS

Not considering Board Members, how important are volunteers to your organization's day-to-day operations?



Page 29

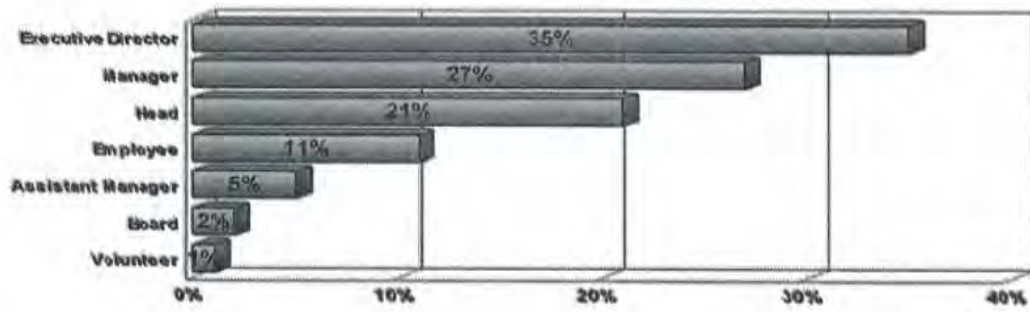
VOLUNTEERS

- ◇ These nonprofits varied widely in terms of their use of volunteers.
 - A little over a quarter (28%) considered them to be a very important source of personnel.
 - A little under a quarter (23%) considered them to be important and somewhat important (23%), while only slightly fewer (19%) only use them for special events or programs. Only 7% use volunteers rarely.
- ◇ The significance of volunteers, however, varies widely by size of organizations.
 - Among those with no full-time employees, 60% consider volunteers to be very important.
 - Among those with no paid employees whatsoever, this number rises to 70%.
- ◇ Volunteers are also more significant among faith-based organizations.
 - Among this group, 45% consider volunteers to be very important and an additional 27% consider them to be important, a total of 73%.

Page 31

RESPONDENT POSITION

What is your title within your organization?



Page 31

RESPONDENT POSITION

- ◇ Responses given to the question of one's title within their organization were grouped into the following categories: Executive Director, Manager, Head, Employee, Assistant Manager, Board and Volunteer.
- ◇ The most commonly cited responses for title were Executive Director (35%), Manager (27%) and Head (21%).
- ◇ Mentioned slightly less often was Employee (11%), and
- ◇ Significantly fewer respondents indicated their title is either Assistant Manager (5%), Board (2%) or Volunteer (1%).

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STRENGTHENING CAPACITY

Page 33

Findings of Note: Strengthening Capacity

◇ Significant Needs

- Funding (fully 50%); with some unanimity, operating support, multi-year support (particularly from foundations) and revenue diversification. Erase "stigma of overhead" costs.
- Leadership and Management Improvement (30%)
- Duplication/Competing reporting requirements and use of findings by funders and agencies themselves (illus: "black hole of findings")

◇ Recommendations

- Greater shared goals among nonprofits statewide: Greater collaboration of nonprofits (illustration: *we are working in isolation*) AND Greater collaboration among/with funders for strategic goals
- Improve public awareness of nonprofits and importance to state and citizens; Collaborative work on shared policy interests (e.g., tax incentives for volunteering, etc.)
- Improve "infrastructure"/information resources on capacity-building and technical resources—where are resources? How to access them? How to trust/use them?

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Findings of Note: Strengthening Capacity

◇ **Strengthening Capacity**

- In terms of internal capacity needs, Technical Capacity was cited by nearly half of all respondents.
- Provider types fell into three categories, with "Institutional" funders being most common, followed by MSOs/NPOs, and Individuals.
- Both accessibility and effectiveness were rated considerably higher than cost.
 - Cost associated with MSOs. MSOs and other NPOs associated with effectiveness. Institutional Funders associated with MSOs and NPOs. Accessibility and mid-range effectiveness with internal, community and individual consultant resources.

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STRENGTHENING CAPACITY

Respondents were asked to consider four core areas of nonprofit capacity* :

- ◇ **Leadership Capacity** – the ability to create and sustain a vision, to inspire, to model, to prioritize, to make decisions, to provide direction, and to innovate – all in an effort to achieve an organization's mission.
- ◇ **Adaptive Capacity** - ability to monitor, assess, respond to, and create internal and external changes.
- ◇ **Management Capacity** – the ability to use resources effectively and efficiently.
- ◇ **Technical Capacity** – the resources (e.g., skills, experience, knowledge, tools, facilities, technology, etc.) needed to implement all programmatic, organizational and community strategies

**developed by Peter York of the TCC Group*

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STRENGTHENING CAPACITY

- ◇ Thinking about your organization's *internal capacity needs* in reference to the four capacity areas defined above, what is your organization's most important need?



Page 37

STRENGTHENING CAPACITY

- ◇ In consideration of **internal capacity needs**:
 - Nearly half (47%) of the respondents indicated technical capacity as the most important need.
 - Also, 15% indicated leadership capacity, while 4% indicated management capacity as the most important need.
 - An additional 15% indicated adaptive capacity.
 - Nearly one-fifth of respondents, indicated multiple or overlapping capacity needs.
- ◇ The leadership and management figures may be underestimated by survey respondents, as most respondents are managers or leaders of nonprofit organizations. Respondents can sometimes have a difficult time assessing their own strengths and weaknesses, especially when personal in nature; this can lead to response bias.

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STRENGTHENING CAPACITY

Provider Types and Providers

- ◇ Nonprofit organizations were asked to identify *to whom they look for assistance in strengthening their organization's capacity (by general category, respondents selected three each)*.

- ◇ In the two slides which follow, *providers are organized first by general categories and then by specific providers*.
 - *In the general categorizations by type of provider: Nearly one-third identified foundations or other nonprofits, 13% donors (with no other explanation), and government (11%).*
 - *When categorized by specific providers: Foundations were identified most frequently; local nonprofit management support centers, local United Ways, all levels of government, and individual board members or consultants were identified fairly frequently.*

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STRENGTHENING CAPACITY

Category	Frequency	Percentage
Foundation or other nonprofits	670	31%
Donors	270	13%
Government	230	11%
Miscellaneous	211	10%
Community	127	6%
Consultants	59	3%
Faith based organizations	57	3%
Business and Corporations	50	2%
Grants	23	1%
No funding	13	0.6%
Unknown	438	20%
Total # of Responses	2148	100%

Page 40

STRENGTHENING CAPACITY

Accessibility, Effectiveness, and Cost

- ◇ After identifying providers, nonprofit organizations in Texas were then asked to assess the accessibility, effectiveness and cost of providers *available in their region to assist them* in strengthening their organization's capacity.
- ◇ In general, accessibility was rated slightly higher than effectiveness.
- ◇ Both accessibility and effectiveness were rated considerably higher than cost.

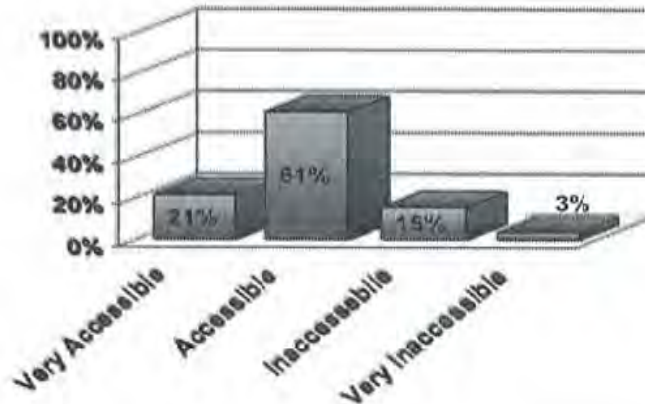
Page 41

STRENGTHENING CAPACITY

General category	Specific category	Frequency	Percentage (Frequency/n _i)
Foundations or Other nonprofits (n ₁ = 670)	Nonprofit Management Support Centers	78	12%
	United Way	78	12%
	Associated nonprofits	49	7%
	TANO	44	7%
	Green Lights	43	6%
	OneStar	35	5%
	National agency	23	3%
	Other foundations	320	48%
Government (n ₂ = 230)	State Government	72	31%
	Local Government	66	29%
	Federal Government	50	22%
	Dept. of Health & Human Services	5	2%
	Other Government	37	16%
Individuals and Individual Donors (n ₃ = 270)	Board	114	42%
	Individuals	86	32%
	Internal	70	26%
Community (n ₄ = 127)	Community	76	60%
	Volunteers	51	40%

STRENGTHENING CAPACITY: ACCESSIBILITY

Rate the providers in your area in terms of accessibility.



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STRENGTHENING CAPACITY: ACCESSIBILITY

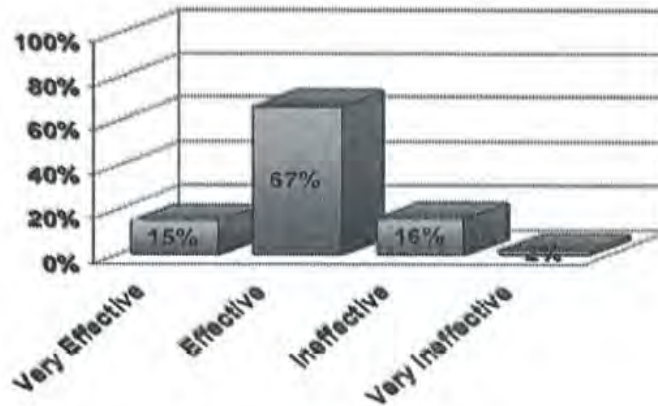
- ◇ About five-in-six (83%*) respondents found those providers who assist in strengthening their organization's capacity to be accessible.
 - This includes one-in-five (21%) who find them to be very accessible.
- ◇ Generally speaking, those with fewer full-time employees found providers to be less accessible than those with more full-time employees.

* At first glance, with 21% very accessible and 61% accessible, this would appear to add to 82%. Because these whole numbers are rounded, however, they may not add to precisely that number, as they do not in this case. Our tabulations of totals are based upon the actual, un-rounded, raw numbers. Thus, this is not a computational mistake, but reflects the precision of the calculations. As an example, if 3.3% were added to 3.3% and all of these numbers were expressed in whole numbers, it would be 3.3% rounded to 3% plus 3.3% again rounded to 3% which would appear to be 6%. Given that the real total is 6.6%, 7% is a more accurate computation.

Page 44

STRENGTHENING CAPACITY: EFFECTIVENESS

Rate the providers in your area in terms of effectiveness.



Page 45

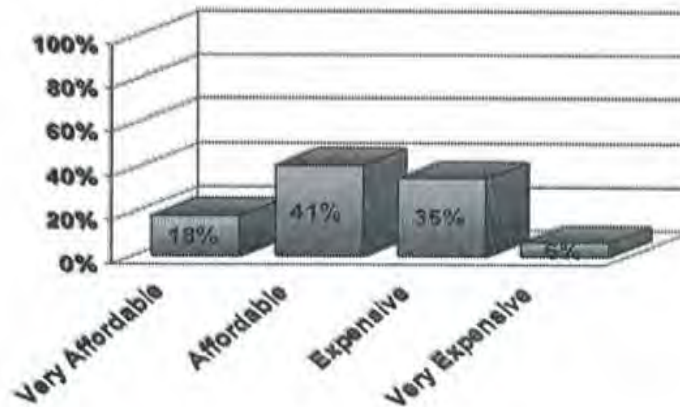
STRENGTHENING CAPACITY: EFFECTIVENESS

- ◇ Virtually the same proportion of respondents (82%) find providers who assist in strengthening their organization's capacity to be effective as find it accessible.
- ◇ The proportion who find it to be very effective is slightly smaller (15% versus 21% for accessibility).

Page 46

STRENGTHENING CAPACITY: COST

Rate the providers in your area in terms of cost.



Page 47

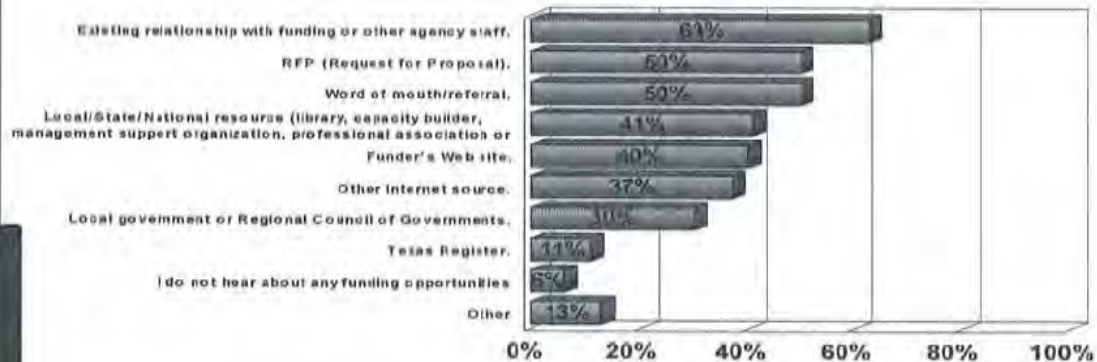
STRENGTHENING CAPACITY: COST

- ◇ While a clear majority (59%) rated providers affordable, a considerable minority (41%) feel that these providers are expensive, including 6% who feel they are very expensive.
- ◇ Thus, it is clear that the affordability of these organizations is ranked measurably lower than either the accessibility or effectiveness of these organizations.

Page 48

FUNDING INFORMATION

Select the principal ways that you hear about public and/or private funding opportunities, including both grants and contracts.



Page 48

FUNDING INFORMATION

- ◇ The most common means that these nonprofits hear about funding opportunities is through existing relationships with funding or other agency staffs.
 - Existing relationships are particularly likely to be leveraged by larger organizations (whether measured by full-time employees or total number of employees).
 - Existing relationships are also more likely to be used by 501(c)(3) organizations and by organizations that are not faith-based.
- ◇ Precisely half (50%) hear about funding opportunities through RFPs or word of mouth.
 - Again, RFPs are especially likely to be used by larger organizations, whether measured by the total number of employees or the number of full-time employees.
 - RFPs are also more likely to be used by organizations that provide services (58%) and organizations that are faith-based (57%).
- ◇ Somewhat fewer agencies here about funding opportunities through a variety of resources (41%), a funder's website (40%) or other internet sources (37%).

Page 50

BARRIERS TO FUNDING

Page 51

This slide features a large, empty rectangular box in the center, intended for content. The text "BARRIERS TO FUNDING" is centered within this box. A dark vertical bar is positioned on the left side of the slide, and the page number "Page 51" is located in the bottom right corner.

Page 52

This slide is a blank template, identical in layout to slide 51. It contains a large, empty rectangular box in the center, a dark vertical bar on the left side, and the page number "Page 52" in the bottom right corner.

BARRIERS: FEDERAL

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from federal government sources?



Page 53

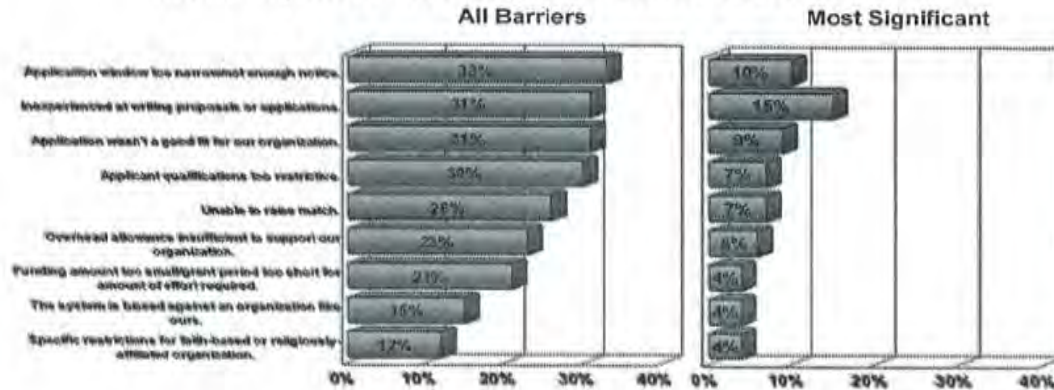
BARRIERS: FEDERAL

- ◇ Organizations experience a wide range of barriers to funding.
- ◇ The most commonly cited were narrow application windows (33%), inexperience at writing proposals (31%), lack of fit between application requirements and a particular organization (31%) and restrictive applicant qualifications (30%).
- ◇ Barriers mentioned slightly less often include an inability to raise match (26%), an inadequate overhead allowance (23%) and too low a level of funding for the effort required (21%).
- ◇ Less commonly mentioned were systemic biases against organizations like the respondent's and faith-based or religiously-affiliated organizational restrictions.
 - Interestingly, the faith-based restriction was cited by 41% of faith-based organizations but only 6% of non-faith-based organizations.
 - For faith-based organizations, this 41% matched inexperience at writing proposals (also 41%) as the single greatest barrier to federal funding.
- ◇ Inexperience at writing proposals was a particularly salient problem for organizations with no full-time or no paid employees whatsoever. While this finding was not surprising, the relationship was dramatic: The proportion doubled and was cited by a majority of small organizations.

Page 54

BARRIERS: FEDERAL

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from federal government sources?



Page 55

BARRIERS: FEDERAL

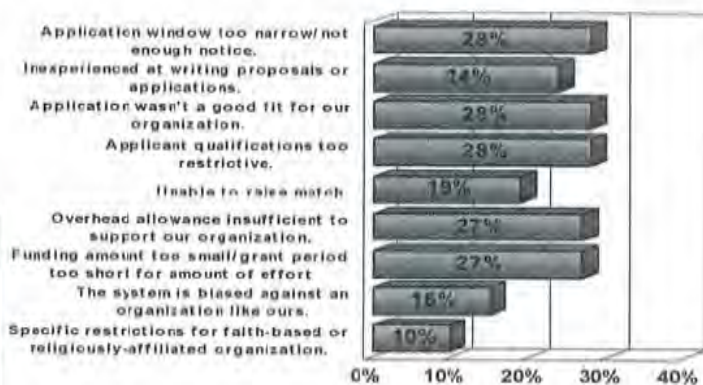
◇ When we asked organizations what the most significant barrier to federal funding was, the rank order corresponded to the rank order among all barriers with one conspicuous exception.

- When asked to cite the most significant barrier to federal funding, the most commonly given response was inexperience at writing proposals or applications (15%).
- No other reason was given by more than 10% of respondents.

Page 56

BARRIERS: STATE

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from state government sources?



Page 57

BARRIERS: STATE

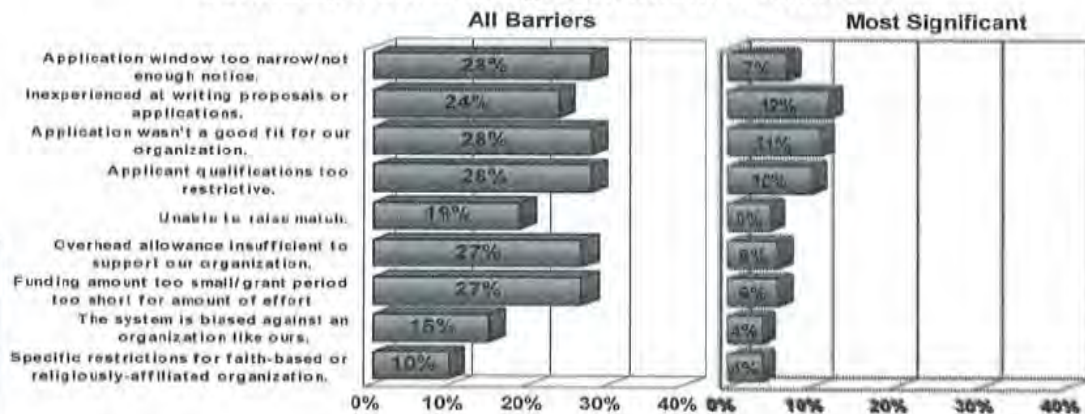
NOTE: For purposes of comparison, we have ordered responses by the proportion of responses given to each restriction in responding to the question about federal funding.

- ◇ Generally speaking, barriers to state funding were somewhat lower than barriers to federal funding
- ◇ We asked the same question about barriers for state funding as we had asked about federal funding. There was a virtual five-way tie among barriers to state funding: application window too narrow (28%), application not a good fit (28%), applicant qualifications too restrictive (28%), overhead allowance insufficient (27%) and funding either too small or grant period too short relative to effort (27%).
- ◇ Only two barriers were greater for state funding than for federal funding: overhead allowance (27% for state funding, 23% for federal funding) and small funding amounts or short grant period for the effort required (27% for state funding, 21% for federal funding).
- ◇ "Systemic bias against an organization like ours" was equal (15%) for both federal and state funding.

Page 58

BARRIERS: STATE

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from state government sources?



Page 59

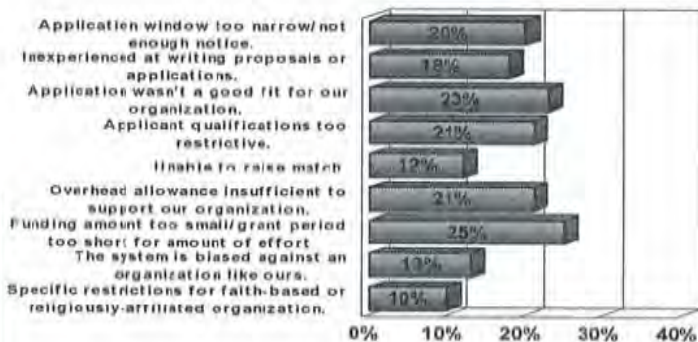
BARRIERS: STATE

- ◇ When asked for the most significant barriers in state funding, three items predominated: inexperience at writing proposals or applications (24%), lack of fit with organization (28%), and restrictive applicant qualifications (10%).
- ◇ Once again, inexperience at writing proposals loomed large for those organizations with no full-time employees.
 - This was cited as a reason by 58% of those with no paid employees and 52% of those with no full-time employees.
 - Furthermore, it was cited as the most important obstacle by 34% of those with no paid employees and 30% of those with no full-time employees.
- ◇ Furthermore, faith-based or religious-based restrictions were an obstacle for 36% of faith-based organizations, and it was the most significant barrier for 16% of these organizations.

Page 60

BARRIERS: LOCAL

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from local government sources?



Page 61

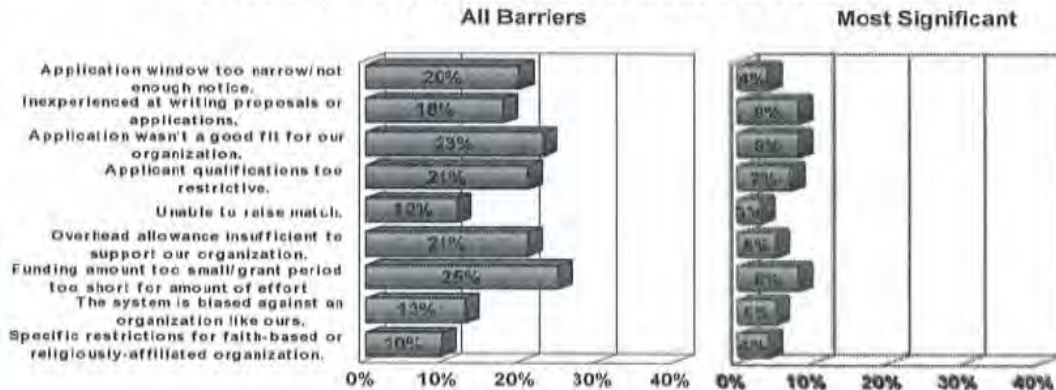
BARRIERS: LOCAL

- ◇ Barriers to local funding were generally lower than those for either federal or state funding.
- ◇ The conspicuous exception was the relatively small number who cited the amount of funding and brief grant period. This was a barrier for 25% of organizations with respect to local funding, compared with 27% for state funding and only 21% for federal funding.

Page 62

BARRIERS: LOCAL

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from local government sources?



Page 63

BARRIERS: LOCAL

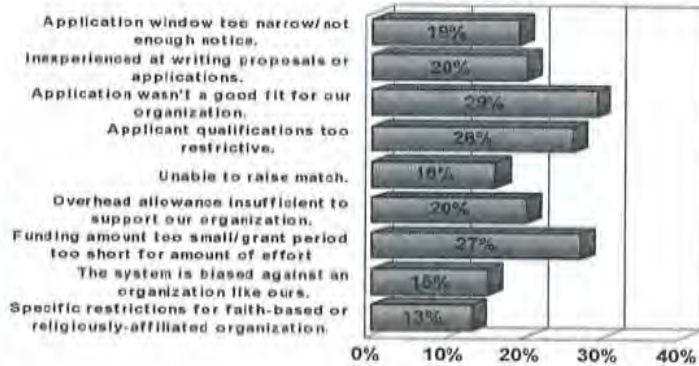
◇ Inexperience in grant writing was an especially noteworthy issue again for organizations without a full-time employee (48% among those with no paid employees and 40% among those with no full-time employees). Furthermore, it was the single most significant obstacle for among 30% of organizations with no paid employees and 35% of those with no full-time employees.

◇ One-third (33%) of faith-based organizations were far more likely to encounter faith-based restrictions in local funding, and 16% cited this as their most significant obstacle in obtaining local funding.

Page 64

BARRIERS: PRIVATE/CORPORATE

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from private/corporate sources?



Page 65

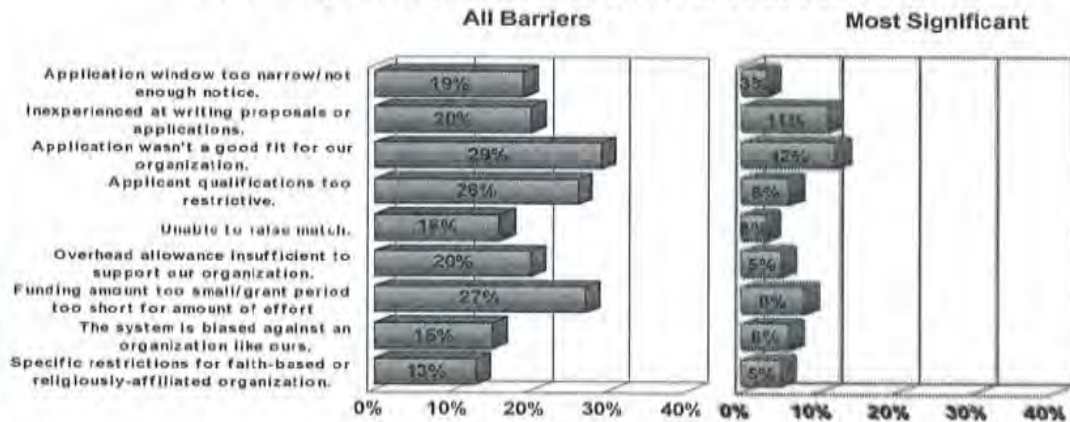
BARRIERS: PRIVATE/CORPORATE

- ◇ The most noteworthy obstacles to private and corporate funding were lack of fit (29%), small levels of funding or short grant periods (27%) and restrictive applicant qualifications (26%).
- ◇ Most other restrictions were generally lower than corresponding proportions for government funding.

Page 66

BARRIERS: PRIVATE/CORPORATE

What barriers have you experienced in the application process for obtaining funding (either a grant award or contract) from private/corporate sources?

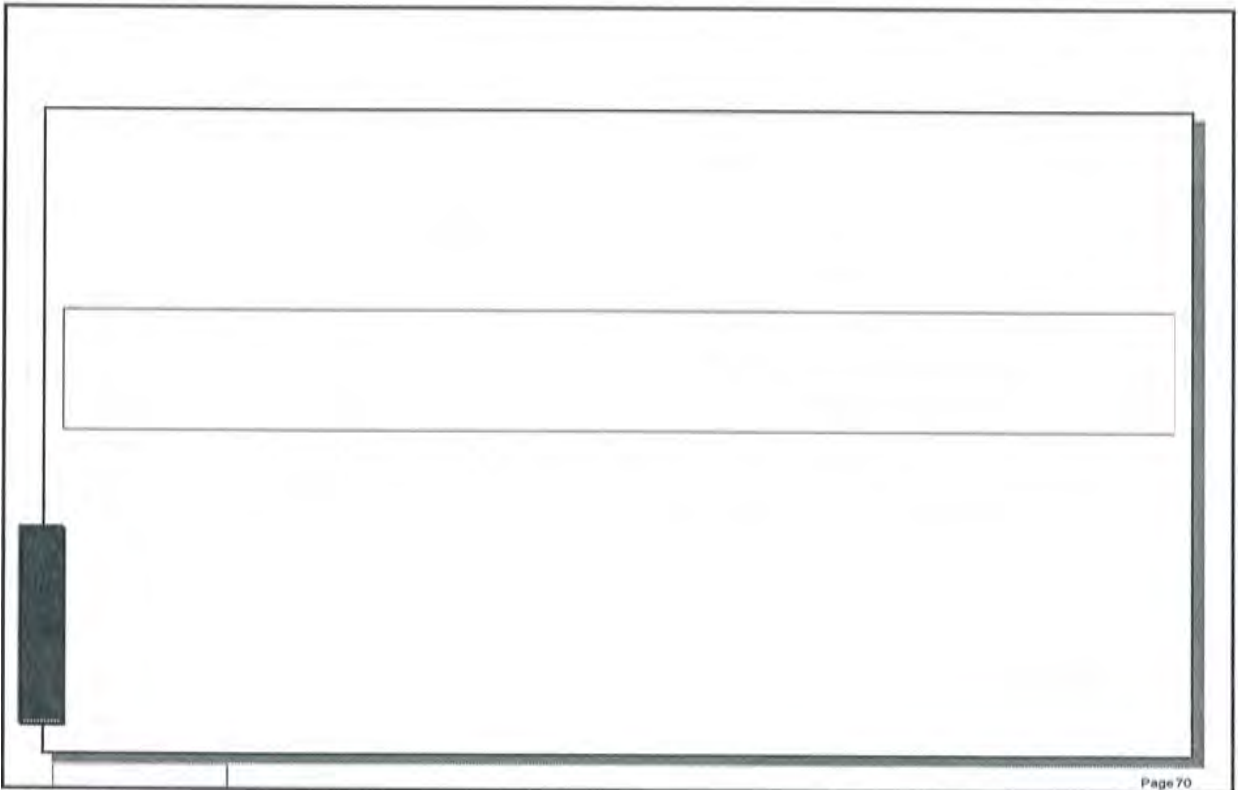


Page 67

BARRIERS: PRIVATE/CORPORATE

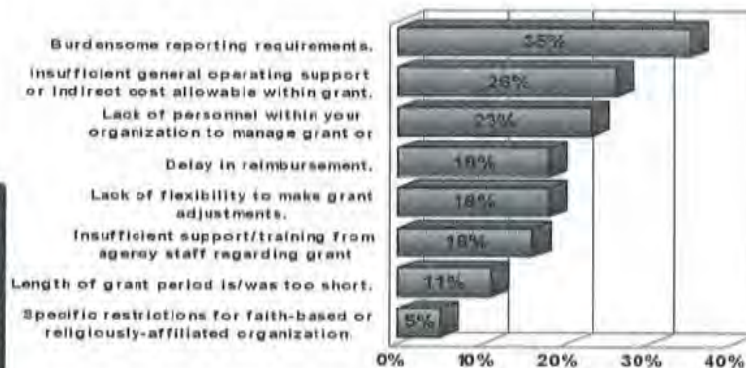
- ◇ The obstacle cited most often as the most significant barrier to private/corporate funding was lack of fit (12%) followed closely by inexperience at writing proposals (11%).
- ◇ Thirty-nine percent (39%) of faith-based organizations found faith-based restrictions to be an obstacle in private or corporate funding.
 - Twenty-three percent (23%) of faith-based organizations cited it as the most significant obstacle to receiving private or corporate funding.

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CHALLENGES POST FUNDING: FEDERAL

What challenges have you experienced upon receipt of funding (either a grant award or contract) from federal government sources?



Page 71

CHALLENGES POST FUNDING: FEDERAL

- ◇ The most commonly cited post-funding challenge in federal funding was burdensome reporting requirements, which was cited by fully 35% of respondents.
- ◇ Interestingly, and in contrast to pre-funding obstacles, larger organizations (those with more employees) were more rather than less likely to report burdensome federal requirements.
- ◇ The next most cited challenge in federal funding is insufficient general operating or indirect cost allowable within grants (26%). This was also more likely to be cited by larger, rather than smaller, organizations.
- ◇ Other significant post-funding challenges for federal funding include lack of personnel within your organization to manage the grant (23%), reimbursement delays (18%), lack of flexibility to make grant adjustments (18%) and insufficient support or training from agency staff during the grant (16%). Far less likely to be cited were short grant periods and faith-based organizational restrictions (11% and 5% respectively).
 - Among faith-based organizations, however, the faith-based restriction was cited by 18%.

Page 72

CHALLENGES POST FUNDING: FEDERAL

What challenges have you experienced upon receipt of funding (either a grant award or contract) from federal government sources?



Page 73

CHALLENGES POST FUNDING: FEDERAL

- ◇ When we asked organizations to focus on the most significant post funding challenge in federal contracts, the dominant response (given by 18% of respondents) was burdensome reporting requirements.
- ◇ Somewhat less frequently cited were insufficient operating or indirect cost support and a lack of personnel within the organization to manage the grant, cited by 9% in each case.

Page 74

CHALLENGES POST FUNDING: STATE

What challenges have you experienced upon receipt of funding (either a grant award or contract) from state government sources?



Page 75

CHALLENGES POST FUNDING: STATE

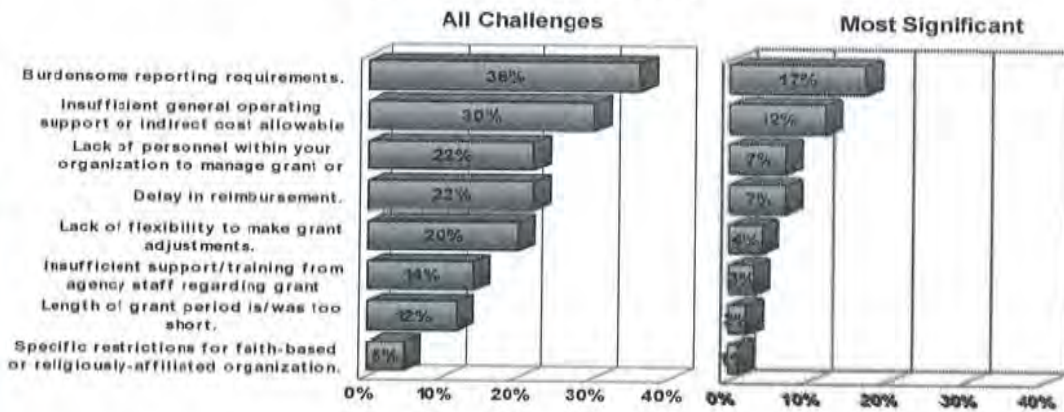
NOTE: For purposes of comparison, we have ordered responses by the proportion of responses given to each post funding obstacle in responding to the question about federal funding.

- ◇ Post funding challenges for state funding were virtually identical to those for federal funding.
- ◇ Insufficient general operating support was slightly higher for state versus federally funded projects (30% versus 26%), as was delay in reimbursement (22% versus 18%), but other challenges were within a percent or two of their federal equivalents.

Page 76

CHALLENGES POST FUNDING: STATE

What challenges have you experienced upon receipt of funding (either a grant award or contract) from state government sources?



Page 77

CHALLENGES POST FUNDING: STATE

◇ The rank ordering of the most significant post funding challenges for state funding was similar to federally funded projects.

- The biggest change was that insufficient general operating support or allowable indirect costs was a bit higher (12% versus 9% for federal) and lack of personnel within the organization was a little lower (7% versus 9%).
- Delay in reimbursement was a little higher (7% versus 5%).
- Other percentages were within one percent of their federal equivalents.

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CHALLENGES POST FUNDING: LOCAL

What challenges have you experienced upon receipt of funding (either a grant award or contract) from local government sources?



Page 79

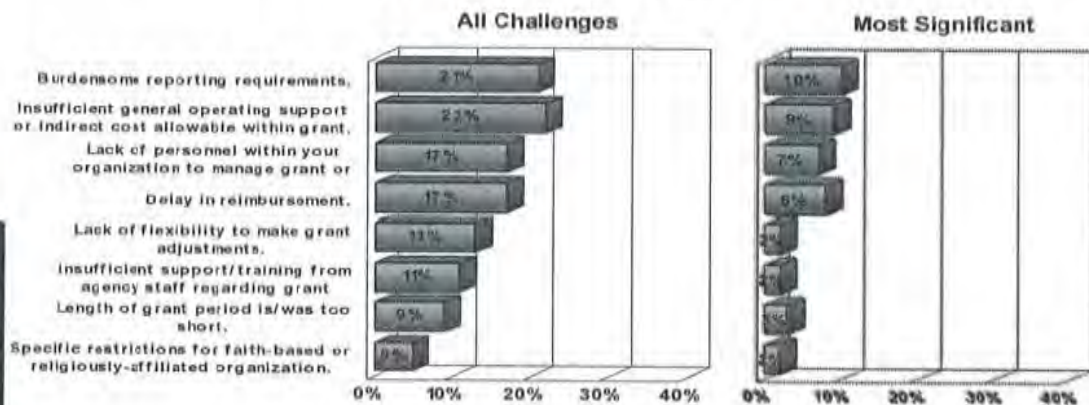
CHALLENGES POST FUNDING: LOCAL

- ◇ The level of post funding challenges for local funding are considerably lower than for federal or state funding.
- ◇ In general, the level of challenges in local funding was about two-thirds compared to federal or state funding.
- ◇ The rank ordering of problems, however, was virtually identical.

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CHALLENGES POST FUNDING: LOCAL

What challenges have you experienced upon receipt of funding (either a grant award or contract) from local government sources?



Page 81

CHALLENGES POST FUNDING: LOCAL

- ◇ The general level of most significant challenges was also lower for local than for federal or for state funding.
- ◇ There was one minor exception: delays in reimbursement on local projects was cited as the most significant challenge by 8% of local recipients compared with only 7% of federal recipients and 5% of state recipients.
- ◇ With this sole exception, however, post funding problems for local recipients are lower than the corresponding problems for either federal or state funding.

Page 82

CHALLENGES POST FUNDING: PRIVATE/CORPORATE

What challenges have you experienced upon receipt of funding (either a grant award or contract) from private/corporate sources?



Page 63

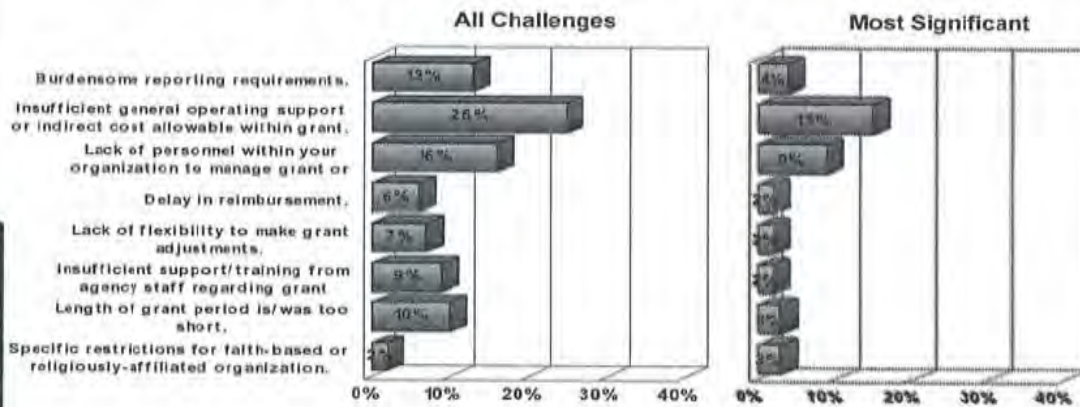
CHALLENGES POST FUNDING: LOCAL

- ◇ When we looked at post funding challenges for private or corporate funding, the pattern was conspicuously different from that which is evident in all levels of government funding.
- ◇ The most frequently cited challenge by far for private and corporate funding was insufficient general operating support or indirect cost allowable by the funding. This was cited by 25% of all recipients of private or corporate funding.
- ◇ Lack of personnel within the organization was also disproportionately high (at 16%), as was short grant periods (10%).
- ◇ With these exceptions, however, most challenges from private or corporate funding are lower than for corresponding government funding.

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CHALLENGES POST FUNDING: PRIVATE/CORPORATE

What challenges have you experienced upon receipt of funding (either a grant award or contract) from private/corporate sources?



Page 85

CHALLENGES POST FUNDING: LOCAL

- ◇ When we turn our attention to the most significant post funding problem associated with private and corporate funding, two responses predominate.
 - Insufficient operating support or indirect costs allowable (15%), and
 - Lack of personnel to manage the grant (9%).

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Partnerships and Collaboration

“What (if any) ways does your organization collaborate with other organizations?” 563 respondents* indicated:

- ◇ combining programs (137) or special events/activities (47)
- ◇ sharing information/best practices/and networking (129)
- ◇ sharing funding (115) and other resources including staff (97)
- ◇ identifying service gaps and duplicated services (61)
- ◇ referring clients to other nonprofits (61)
- ◇ as part of a larger formal network (52)
- ◇ through training/education (49)
- ◇ **NO collaboration whatsoever (16)**

*Note: some individual respondents provided more than one response, which is why the # of responses exceeds the # of respondents.

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Partnerships and Collaboration

“What are the challenges to collaboration with other organizations?”

- ◇ 205 reported no such problems or did not enter a response.
- ◇ 506* respondents indicated challenges, categorized as:
 - lack of time (112 responses)
 - identified competition (86)
 - inability to find funding (73)
 - inability to mesh well with other organizations (67)
 - lack of staff to operate a collaborative effort (61)
 - organizational capacity (59)
 - finding willing organizations (48)
 - communication problems (41)

Note: some individual respondents provided more than one response, which is why the # of responses exceed the # of respondents.

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APPENDIX D: Non-legislative Recommendations

The Task Force on Strengthening Nonprofit Capacity discussed the following non-legislative recommendations during public meetings. These recommendations are meant to complement the legislative recommendations the task force submits with its report to the Texas legislature.

- Nonprofit organizations should identify or provide internal leadership and management training and develop leadership and management opportunities;
- Nonprofit organizations should take advantage of resources and training made available by the state;
- Nonprofit organizations should seek out and join networks to ensure they are contributing relevant information in a timely manner, including research, funding opportunities, and promising practices;
- Nonprofit organizations should take an active interest and approach to strengthening their organization's ability to be a strong partner with the State;
- Funding organizations should provide flexible and reliable funding to nonprofit organizations to adequately support the nonprofit sector;
- Funding organizations and leaders in the Texas nonprofit community should prioritize and foster increased collaboration among nonprofit organizations in public policy development and advocacy; and
- The nonprofit sector should establish priorities for enhancing volunteer status through various strategies, including public recognition and special benefits.

APPENDIX E: Summaries of Public Recommendations and Comments

Task force members considered all information collected from public hearings, written comments submitted via e-mail and mail, the task force survey, and other sources, to develop summaries of recommendations. The task force identified themes associated with the summarized recommendations and aligned the recommendations with these themes, as appropriate.

In the chart below, the column headers represent the themes identified by the task force. The individual entries in the columns below are the summaries of recommendations and comments from the public. These entries are not a checklist of “to-dos” but more a reservoir of potential recommendations from which the task force pulled to develop final legislative recommendations.

Provide Affordable & Accessible Capacity-Building Services Statewide	Develop Simple, Standard Grant Management Process	Develop Coordinated Communication Systems	Provide Flexible & Reliable Funding that Adequately Supports Nonprofit Sector	Ensure that State Public Policy Supports & Strengthens Nonprofit Sector	Promote Mutually Enhancing Relationships
Strengthen & expand Management Support Organizations network Fund long-term, sustainable capacity-building programs Provide information on funding opportunities Provide technical assistance Fund training of technical capacity Specific help for rural nonprofits Increase support & access for training on volunteer management Professional recruitment and retention	Allow adequate time to prepare and submit grant applications Create easier grant application-standardized Common grant application Adopt “net grant principle” “Allow local state offices to contract with local nonprofits Standardized benchmarks and reporting Develop consistent metrics to measure effectiveness Scale and support effective programs	Web-based nonprofits & state partnerships Develop communication outreach for nonprofit value Common public grant website Support and facilitate communication among nonprofits in addition to vertical relationships with state organizations Improve outreach to rural and underserved areas	Fund full cost of care Increase operating fund allocation Focus on increasing multi-year grants, expanding overhead definition, and funding general operations Cash flow, loans Greater reliance on funding alternatives & in-kind Increase multi-year funding opportunities Reduce funding restrictions Develop social innovation fund Interrupt the starvation cycle	Health insurance for nonprofits Create nonprofit health insurance coops Increase collaboration on policy & advocacy Maintain tax treatment Increase involvement of Spanish speaking community in programs Promote greater awareness of nonprofit sector Officials understand universe of current services State agencies see themselves as traditional funders Research &	Encourage state recipients to collaborate Fund community & statewide collaborations Foster mutual & respectful relationships between nonprofits & the state Agencies identify & address duplication & gaps Listen to nonprofits about client access issues with state Recognize volunteers as agents of change Agencies seek regular feedback from grantees & nonprofits Mutually enhancing

<p>Umbrella organizations get funding to assist small nonprofits</p> <p>Fund & partner with Management Support Organizations</p> <p>Understand the meaning of capacity</p> <p>Increase understanding of grant regulations for faith- and community-based organizations</p> <p>Improve flow of information on volunteer opportunities</p> <p>Professional development for nonprofit leadership & management</p> <p>Nonprofit workforce development</p>			<p>Quicker turnaround on grant payments</p>	<p>develop new roles for public & private sectors</p>	<p>means each party is stronger as a result of relationships</p> <p>Agencies solicit and develop innovative ideas & lessons learned from state agency employees</p>
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APPENDIX F: Interagency Coordinating Group Members

Health and Human Services Commission:

Liz Garbutt, Director, Office of Community Access

State Commission on National and Community Service:

Elizabeth Darling, CEO, OneStar Foundation

Department of Aging and Disability Services:

Kristi Jordan, Director, Center for Consumer and External Affairs

Department of Assistive and Rehabilitative Services:

Glenn Neal, Director, Program and External Relations

Department of Family and Protective Services:

Sherry Broberg, Office of the Deputy Commissioner

Department of State Health Services:

Kirk Cole, Director, Center for Consumer and External Affairs

Department of Rural Affairs

Kim White, Legislative Liaison, Governmental Relations/Research & Policy

Texas Commission on Environmental Quality:

Brian Christian, Director, Small Business & Environmental Assistance

Texas Department of Criminal Justice:

Marvin Dunbar, Rehabilitation Programs

Texas Department of Housing and Community Affairs:

Elizabeth Yevich, Manager, Housing Resource Center

Texas Education Agency:

Lillie Elizondo-Limas, Director, School Readiness and Partnerships

Texas Juvenile Probation Commission:

Nydia D. Thomas, Deputy General Counsel

Texas Veterans Commission:

David Nobles, Grants Coordinator

Texas Workforce Commission:

Janie Young, Program Administrator, Workforce Development Division

Texas Youth Commission:

John Stutz, Manager, Faith-Based Services

APPENDIX G: Renewing Our Communities Account Advisory Committee Members

Ronnie Hagerty (chair)

Assistant Vice President, United Way of Greater Houston
Houston, Texas

Kenneth Gladish (vice-chair)

President/CEO, Austin Community Foundation
Austin, Texas

Martha Blaine

Executive Director, Community Council of Greater Dallas
Dallas, Texas

Teata Collier

CEO/Executive Director, Education and Agriculture Together (E.A.T.) Foundation
Sequin, Texas

Marlene DiLillo

Executive Director, Greater Killeen Free Clinic
Killeen, Texas

Dalia Rodriguez

Chief Executive Officer, Rio Grande Valley (RGV) Empowerment Zone
McAllen, Texas

Bridget Samuel

Chief Operating Officer, Interfaith Ministries for Greater Houston
Houston, Texas

Charlene Shreder

Executive Director, Sister Communities Council on Alcohol and Drug Abuse
Tyler, Texas

J.D. Young

Executive Director, Faith Mission
Brenham, Texas

APPENDIX H: Renewing Our Communities Account Grantees

Nonprofit Capacity Building Grantees

The OneStar Foundation, in partnership with the Texas Health and Human Services Commission (HHSC), awarded nonprofit capacity building grants to 40 faith- and community-based organizations (FCBOs) in Texas using funds from the Renewing Our Communities Account (ROCA).

Through a competitive grant process, the OneStar Foundation selected 40 small- and medium-sized FCBOs to receive grants of up to \$25,000 each. The grantees will use these funds to focus on capacity-building activities that strengthen their organizational capacity, contributing to their long-term sustainability and ability to effectively fulfill their missions.

List of nonprofit capacity building grantees:

- American Indians in Texas - Spanish Colonial Missions I American Indians in Texas - Spanish Colonial Missions
- Austin Area Interreligious Ministries I AAIM Capacity Building & Network
- Austin Disaster Relief Network I Austin Disaster Relief Network - Project Greater Austin
- Austin Free-Net I Austin Connects: Community Technology Service Mapping Project
- Austin Voices for Education and Youth I Our Voice, Our Vision, Our Schools
- Avenida Guadalupe Association I Avenida Community Renewal Project
- Bethel Community Development Corporation, Inc. I Faith Connections
- Bible Way Fellowship Baptist Church I CCCTX OneSource New Life Mentoring
- Camp Fire USA Tejas Council I Greater Waco After School Network
- Casa Marianella I Community Coordination Project
- Christian Assistance Network of Greater Fort Hood I The Heritage House
- The City of Refuge of Houston, Inc. I CORRESCUE
- Coalition of Texans with Disabilities I CDS Expansion to San Antonio

- Community Leadership Institute – Capacity Building Training
- Community Partnership for the Homeless (Green Doors) – The Healing Homes Project at Pecan Springs Commons
- Concho Valley RSVP – RSVP Capacity Building Strategies
- Connecting Caring Communities – Abilene Community Renewal
- Corpus Christi Literacy Council – Together we Can!
- Dallas Leadership Foundation – Joint Collaborative Community Capacity Building
- El Paso Diabetes Association – FACES
- Faithkeepers – Austin Unemployment Group
- Friends of Partners in Prevention – Fortifying Our Community Fabric
- Granny's Place, Inc. – OneStar2010
- Hill Country Daily Bread Ministries – Community Collaboration
- Hispanic Religious Partnership for Community Health – Capacity Building
- H.O.P.E. – Collaboration Has No Boundaries
- Inman Christian Center – Inman Christian Center
- Literacy Coalition of Central Texas – Institute for Volunteer Management
- Marianist Province of the U.S. (Tecaboca) – Leadership Experiences Asset Program
- New Beginnings Children's Home at Canaan Land Ranch, Inc. – New Beginnings Results Based Accountability Child Abuse Case Management Project
- Opening Doors for Women in Need – Opening Doors for Women in Need Inc. - Crime Prevention
- Partners in Ministry – Capacity Building through Development & Fundraising
- Reclamation Station – Impact Van Zandt
- Relief Nursery of Central Texas – Relief Nursery of Central Texas

- Ride On Center for Kids (R.O.C.K.) – R.O.C.K. Partners and Builds
- Sister Communities Council on Alcohol and Drug Abuse – Drug Free Communities
- Skillful Living Center, Inc. – Strengthening Skillful Living Center, Inc. Texas Style
- South Texas Youth Development Council – Family and Community Asset Building Partnership
- SWIFT – Schulenburg Weimar in Focus Together (SWIFT) Community Garden
- Ventana del Soul – Ventana del Sol

Local Government Grantees

On July 12, 2010, OneStar Foundation launched the second of two Requests for Applications (RFA) for the ROCA. The purpose of this second grant program is to strengthen the capacity of local government offices that provide outreach to FCBOs and to assist nonprofit organizations in addressing social issues present in their communities.

Through a competitive grants process, OneStar selected an additional six local government agencies to receive grants of up to \$40,000 for one year. Grantees will use program funds to 1) conduct outreach and networking activities to reach new nonprofits and facilitate partnerships, 2) provide free capacity building training to nonprofit organizations and 3) grantees will also use program funds to build their own capacity to partner with nonprofits.

List of local government grantees:

- County of El Paso – El Paso
- Bexar County Mental Health, Mental Retardation Services – San Antonio
- City of Dallas – Dallas
- Harris County – Houston
- Matagorda County Judge – Bay City
- DETCOG – Jasper

APPENDIX I: Public Hearing Attendance, Testimony, and Written Comments

In accordance with House Bill 492, 81st Legislature, Regular Session, 2009, the Task Force on Strengthening Nonprofit Capacity held public hearings in various geographic areas in Texas to hear testimony regarding strengthening the capacity of faith- and community-based organizations to manage human resources and funds and provide services. In addition, the task force sought written comment throughout the state.

The following table indicates the number of attendees at public hearings and all testimonies and written comments received by the task force:

Source of Public Participation	Public Hearing Attendance	Public Testimony Received	Written Testimony Received
Houston Public Hearing	53	18	10
Dallas Public Hearing	27	7	3
Austin Public Hearing	44	14	7
Harlingen Public Hearing	16	11	2
El Paso Public Hearing	22	9	1
Mail or E-mail	N/A	N/A	10
	162	59	33

APPENDIX J: Texas Comparisons from National Study of Nonprofit Government Contracting

Based on national study of human service nonprofits with \$100,000+ in expenditures. Data from study conducted by the The Urban Institute in collaboration with the National Council of Nonprofits (www.councilofnonprofits.org)
 Note: Ranking is 1 to 51 with 1 being highest percentage and 51 lowest percentage
 Full report accessible at <http://www.urban.org/url.cfm?ID=412159>.

(compiled by Barry Silverberg, TANO, for use by HHSC Task Force on Strengthening Nonprofit Capacity)

	Texas		National Number	Texas Percent
	Number	Ranking		
1 # Agencies with govt human service contracts	1,706	3	32,697	5%
2 # human service contracts	6,776	9	188,719	4%

Contracts or grants		Texas		National Percent	Texas Differ
		Percent	Ranking		
3	Worse experience in 2009 compared to prior years	24%	38	31%	-7%
4	Reported late payments	24%	45	41%	-17%
5	Requiring matching or sharing of cost	46%	42	54%	-8%
6	That limit program administrative/ overhead costs	56%	34	62%	-6%
7	Limit general administrative/ overhead costs	57%	28	58%	-1%
8	Require report results or outcomes of program	89%	29	89%	0%
9	Require feedback to govt on contracting procedures	61%	28	62%	-1%
10	Problems with payments not covering full cost of cont	59%	38	68%	-9%
11	Problems with complexity of/ time required for reporti	67%	44	76%	-9%
12	Problems with complexity of/ time required by the app	69%	40	76%	-7%
13	Problems with government chnges to contracts or gran	52%	30	57%	-5%
14	Problems with late payments	40%	38	53%	-13%

Revenue Reduction

15	Reporting deficits	45%	17	42%	3%
16	Reduced revenue from local government agencies	19%	49	49%	-30%
17	Reduced revenue from state government agencies	34%	44	56%	-22%
18	Reduced revenue from federal government agencies	31%	26	31%	0%
19	Reduced revenue from individual donations	50%	26	50%	0%
20	Reduced revenue from private foundations	47%	34	53%	-6%
21	Reduced revenue from corporate donations	53%	27	59%	-6%
22	Reduced revenue from investment income	51%	51	72%	-21%

Actions in Light of Revenue Reduction

23	Froze or reduced salaries	38%	40	50%	-12%
24	Drew on reserves	39%	21	39%	0%
25	Reduced number of employees	28%	40	38%	-10%
26	Reduced health, retirement, or other benefits	14%	42	23%	-9%
27	Borrowed funds or increased lines of credit	19%	23	22%	-3%
28	Reduced number of programs or services	18%	27	21%	-3%

APPENDIX K: Texas Nonprofit Sector – Works Cited

Works Cited

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