

GRANTS, CONTRACTS AND NON-PROFITS IN MONTGOMERY COUNTY II

The League of Women Voters of Montgomery County has been exploring monetary and funding practices of Montgomery County Government. Last year we studied the funding of services and programs through grants to non-profit organizations in Montgomery County, concentrating on the Executive's Community Collaboration Grants and County Council Grants. At the 2015 Annual Meeting a continuation of the study was adopted to include the following other grant programs available in Montgomery County: Community Development Block Grants, English Literacy Grants, Arts and Humanities Grants and the Collaboration Council for Children, Youth and Families. We will also update the two programs studied last year and seek consensus on several issues.

A LOOK AT THE NON-PROFIT COMMUNITY IN MONTGOMERY COUNTY

What is a Non-profit?

A non-profit organization doesn't have a profit objective and exists for the public good. Section 501(c) of the Internal Revenue Service code designates 29 types of non-profits. By far the most common type is 501(c)3, which indicates that a non-profit has charitable purposes, and that donations to the group are tax deductible, as for example the League of Women Voters Citizens Education Fund. Non-profits may be profitable, however, any surplus must be used to further the corporation's organizational purpose. Charities are permitted to charge fees for their services; in fact, most charities rely upon fees for a substantial part of their revenue.

The list of non-profit organizations is a long one and includes both very large organizations such as our community hospitals, all our churches, scouting organizations (have you bought your Girl Scout cookies yet?), nationally known enterprises such as the Howard Hughes Medical Institute, Goodwill Industries International, the National Association of the Deaf, as well as labor unions such as the Montgomery County Government Employees Organization or the Montgomery County Education Association.

Organizations of more moderate size would include our own League of Women Voters, the Korean Community Service Center of Greater Washington, Hospice Caring in Gaithersburg, Stepping Stones Shelter in Rockville, as well as other private foundations, political groups, the various individual county fire companies and county-wide sports leagues.

In fact, one in ten workers in Montgomery County is employed by a non-profit organization. There are about 5,125 501(c)(3) non-profits in the county. Of these, 3,127 had budgets under \$25,000, 1,978 had budgets above the \$25,000 threshold with 208 reporting revenue in excess of \$5 million. The total purchasing power of Montgomery County non-profits is nearly \$4 billion. In 2011 there were about 43,371 people employed by non-profit organizations, earning \$2.2 billion in total wages. Non-Profit Roundtable Montgomery was set up by non-profits to advocate for them in dealing with the business and government sectors. They work with the county to establish the current system for grants.

ORGANIZATIONS AND INDIVIDUALS ARE INVITED TO DUPLICATE THIS FACT SHEET WITH ATTRIBUTION GIVEN TO LWVMC. BEFORE REPRODUCING, PLEASE CONTACT THE LEAGUE OFFICE AT 301-984-9585 OR LWVMC@EROLS.COM FOR CORRECTIONS OR UPDATED INFORMATION, OR CHECK OUR WEBSITE, LWVMOCOMD.ORG, FOR THE MOST UP-TO-DATE VERSION.

OVERVIEW OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The Department of Housing and Urban Development (HUD) initiated the Community Development Block Grant (CDBG) program in 1974 as a flexible program that provides communities with resources to address a wide range of community development needs with federal funds.

The CDBG program provides Montgomery County and other local governments with the opportunity to develop viable communities by funding activities, principally for low and moderate income people, that provide decent housing and a suitable living environment and by expanding economic opportunities. The HUD income limits applicable to the CDBG include - Extremely Low (30%), Very Low (50%) and Low (80%) of an area's median income. Funds are awarded to carry out a wide range of community development activities directed towards neighborhood revitalization, economic development, and the provision of improved community facilities and services.

The Grants Administration and Special Projects Section within the Montgomery County Department of Housing and Community Affairs is responsible for administering the housing and community development grants that the county receives yearly from HUD. The section also prepares the Montgomery County Consolidated Plan for Housing and Community Development which describes the county's policies for spending these federal funds.

The county received approximately 4.6 million dollars in CDGB funds in the fiscal year 2016 (July 2015 – June 2016). These funds are available for activities such as housing rehabilitation and Public Service Grants. Grants can be for one, two or three years, over a one, two or three-year period, as selected by the grantee. Not less than 70% of CDBG funds must be used for activities that benefit people with low and moderate incomes. The majority of the grants (85%) are awarded to projects administered by the county's Department of Housing and Community Affairs. A typical project is the Housing Acquisition and Preservation funds (\$998,594) to be used for affordable housing activities. Eligible activities include loans to assist in the purchase of existing properties for use as housing affordable to low and moderate income residents and funds for housing rehabilitation. An estimated 40 units will be created, preserved or improved. Monitoring is based on outcome measures.

Each year, Montgomery County awards CDBG Public Service Grants to groups to carry out programs that directly serve low income people, often people with special needs including the elderly, children and youth, recent immigrants, the homeless, people with mental and physical disabilities, chronic illnesses, addictions and those who are victims of violence. In the fiscal year 2016, the county awarded \$540,000 (up to 15% of the total grant for Montgomery County) to 16 non-profit groups throughout the County.

Timetable for Grant Applications

- Deadline for FY 17 applications Friday, September 18, 2015 (Online).
- Reviews by DHCA staff and Community Development Advisory Committee (CDAC), which conduct a hearing about the Public Service Grants announced. The hearing is open to the public.
- Both Director of DHCA and the CDAC recommend CDBG projects for funding to the County Executive, who makes final recommendations to the County Council. The County Council, as part of the budget process, determines the final selection. Funds are generally available to grantees after September 1 of the following year, 2016, – almost one year after the application is submitted.
- Quarterly Reporting System: Contractors awarded funding are required to submit benefit data reports electronically on a quarterly basis.

A total of \$540,000 of Public Service Grants was awarded by CDBG. Some of the grants awarded were: Eastern Montgomery Emergency Assistance Network's "Eviction Prevention and Utility Disconnection Prevention" received \$45,000 to provide emergency eviction and utility assistance. An estimated 220 people will benefit. Another is Shepherd's Table, Inc.'s "Shepherd's Table Food Service Program" which was awarded \$13,790 to provide salary support for serving 55,000 free meals per year to at-risk Montgomery County residents. This program will benefit an estimated 2,400 people

ENGLISH LITERACY GRANTS

The Montgomery Coalition for Adult English Literacy (MCAEL) is a not-for-profit organization whose mission is to strengthen "the countywide adult English literacy network to support a thriving community and effective workforce." MCAEL does not directly provide adult English literacy (AEL) training to clients. It "supports more than 75 adult ESOL and literacy service programs, 1,500 instructors and staff, and more than 2500 adult learners a year" by offering them technical assistance, training, etc. Since 2006 it has administered Montgomery County's annual program for English Literacy Grants. Note that, since 2008, 15,000 adult learners have been supported by community based organizations funded through the grants.

Literacy is defined as "speaking, listening, reading and writing." Most programs focus on conversational English. People usually start with the spoken language and then move to reading and then writing.

MCAEL's primary funder is Montgomery County, which provides separate amounts for MCAEL operations and for the grants to be allocated to AEL service providers in the county. These amounts are in the County Executive's base budget, and therefore reasonably stable. For FY16, operations were funded at about \$350,000. Operating expenses include salaries for a staff of five, rent, publishing costs and outside services. The grant program of \$950,000 was awarded by MCAEL in the County's behalf, increase the availability of adult English literacy services offered to diverse populations, and to improve the quality of those services in the county.

The grants process is well-documented on MCAEL's web page. MCAEL releases a request for proposals in late January or early February. Application forms and instructions are available on-line, for the two sub-programs: established enrolled-management AEL programs and less structured literacy access programs. Each applicant is also interviewed. Applications are reviewed by a Grants Panel of 10-15 people, made up of members of the community and representation from the 10-person board of trustees, with staff providing technical advice. There is a scoring process, with consideration given to past performance, and the area where services are needed in the county. Awards are announced in June.

MCAEL's funding is transmitted through the Department of Public Libraries. Other funding sources (representing about 6% of the total budget) include the State Department of Labor, and gifts from foundations, corporations and individuals.

MCAEL has a contract with the county that specifies required activities, including publishing a directory of service providers in the county, measuring quality and effectiveness of service delivery and ensuring reporting by grantees. MCAEL provides a report to the county twice a year. A recent development is that under the purview of the County Council's Education Committee, MCAEL has been working on a study with CountyStat. This is a study to understand the reasons for the gap between the number of adult students being served and the 2014 census data that show 131,000 adults

self-identified as speaking English not easily, with great difficulty or not at all. Geographic Information System (GIS) maps have been plotted to show characteristics of the potential AEL students, including comparisons of concentration by geographical area.

CountyStat is the performance management and data analytics team within the Offices of the County Executive of Montgomery County, Maryland. Since its establishment in 2007, CountyStat strives to help county departments and executives use their data effectively to make smarter decisions and achieve better outcomes -- and champion accountability and transparency for our residents and employees.

ARTS AND HUMANITIES COUNCIL OF MONTGOMERY COUNTY

The Arts and Humanities Council of Montgomery County (AHC MC), a 501.c.3 organization, is one of 24 local (23 counties plus Baltimore City) arts councils in Maryland. There are 5,000 arts councils in the United States.

The AHC MC receives support at the national level from the National Endowment for the Arts (NEA) through the National Assembly of State Arts Agencies (NSAAA). The pass-through is from our Maryland State Arts Agency to our local Arts and Humanities Council. The council also receives some funds from various regional foundations. The bulk of their funding, however, 90%, comes from Montgomery County.

Money from these three sources is used both for the council's own operating funds and for direct support of individual artists, cultural programs, and large and small arts and humanities organizations. These include Olney Theatre Center (one of ten organizations that received Advancement Grants), Bel Cantanti Opera Company (one of 23 organizations that received money in the Grants to Mid-Size Arts and Humanities Organizations category), South Lake Elementary School, an arts Integration Residency in the Schools Grants recipient (one of three), and Shanthi Chandrasekar, an individual artist living in North Potomac (one of 25 individuals who received funds in the Grants to Individual Artists and Scholars category). All recipients were funded through the AHC MC's FY16 budget.

The AHC MC is the funding agency for 500 organizations and 2000 individual artists and scholars in Montgomery County. In any given year they are able to fund about one third of the artists in their portfolio. For example, they usually fund about 150 of their portfolio of 500 organizations in any given year. Programs they fund are found throughout the county, in urban, suburban and rural areas. Funded programs also appeal to a diverse population in terms of age, gender, race, and national origin.

The process that the Arts and Humanities Council uses to determine the recipients of grant money is similar to that used by the County Council and County Executive. Applicants fill out an on-line application form. Applications are reviewed by a grants review panel composed of four or five people who are knowledgeable about the specific art or humanities category for which the application is requesting funds. For example, there would be a grants review panel for dance, for sculpture, for theater, or painting. All the panelists live in Montgomery County or the larger Delmarva area. They are selected by the staff from a list of knowledgeable arts or humanities individuals. All are volunteers. Their meetings are open to the public. Individuals serve on these panels for various terms. They may serve several years in a row, serve in nonconsecutive years, or serve only once. This is a volunteer job that requires both expertise in a given arts or humanities area and a substantial time commitment.

The second level of review is the AHCMC Grants Committee which is composed of members of the AHCMC's Board of Directors and others in the arts and humanities community. They make the final decision among individuals and organizations selected by the individual grants review panels. This process is also open to the public.

The largest funding category for the Arts and Humanities Council is what is called formulaic support. This money is distributed, not on a competitive basis but given, based on a set formula, to the largest arts and humanities organizations in the county. Strathmore Hall is an example of these grant recipients. There is no competition for funds going to these large arts and humanities organizations.

Grants in the other categories, Advancement Grants, Grants to Mid-Size Arts and Humanities Organizations, Grants to Small Arts and Humanities Organizations, Grants to Individual Artists and Scholars and Arts Integration Residency in the Schools Grants are all competitive.

Like the County Council and County Executive's grants, these are for one fiscal year. Although an individual or organization may apply for funds each year, only the formulaic organizations are guaranteed funding every year.

COLLABORATION COUNCIL FOR CHILDREN, YOUTH AND FAMILIES

The Collaboration Council is a private non-profit organization. It is designated as Montgomery County's "local management board" by the State of Maryland to serve as a catalyst for public and private service providers to collaborate and address the needs of the County's children and youth under the age of 18 and their families. Comprised of 350+ public and private agencies, faith-based organizations, families, elected officials, businesses and community advocates, the Council's mission is to assess community needs, set priorities, target resources and oversee the delivery of services.

Its budget has been about \$4.5 million, of which approximately 40% comes from state funds, 40% from county funds (through the county's Department of Health & Human Services, DHHS) and the remaining 20% from foundation grants and individual contributions. About \$250,000 of that goes to overhead; the balance is devoted to program.

Program:

The Collaboration Council's program includes maintenance of a data bank on the status children and youth in the county, training (online and in person) for youth service providers and funding and evaluation of specific programs including:

- Excel Beyond the Bell: an after school program in middle schools with high need, which focuses on social and emotional learning and strives to increase students' attachment to school, as measured by improved attendance.
- Local Care Team & Pathways: a multi-agency diagnostic and referral resource for families and/or professionals to call about youth with social/emotional issues. When the placements are provided, DHHS pays for the placement, the Montgomery Public School System pays for education and the Collaboration Council funds wrap-around services and intensive case coordination to ensure that referrals are followed through and services are being provided (currently through a contract with the YMCA).
- Conservation Corps: a program for high school dropouts and young adults without direction which provides both work experience and classes. The current provider is the Latino Youth Center.

However, upon interviewing April Kaplan, Director of the Collaboration Council, the study committee determined that the council did not award grants but dispenses funds through the County's Procurement System, and is not qualified to be included in this study. While contracts may be negotiated, they are initiated by a Request For Proposal (RFP) rather than a grant. Based upon past experience, Ms Kaplan noted that if grants and contracts ran for two years instead of one (dependent on satisfactory evaluations), there would be less time consumed by paperwork.

UPDATE ON THE COUNTY COUNCIL AND COUNTY EXECUTIVE'S COMMUNITY COLLABORATION GRANTS

One System for Two Types of Grants: County Council and County Executive Community Collaboration Grant

Non-profit organizations may apply for funding to both the County Executive's Community Collaboration Grants and the County Council grants through separate applications. Any organization, institution or association that is incorporated as a private, not-for-profit organization designated under 501 (c) (3) and that provides services or activities in Montgomery County may apply. Non-profit groups tend to be innovative and flexible and often offer a fresh approach to an identified problem. They are ideally suited to a quick new approach to an identified problem.

The Timeline:

- Workshops for potential FY 2017 grant applicants were held on **December 8, 9, and 10, 2015.**
- For FY 2017, all County Council and County Executive Grant applications must be submitted via the Online Grants Portal by: **4:00 pm, Tuesday, January 13, 2016.**
- The County Executive includes a number of grants in the budget which he recommends to the County Council on **March 15, 2016.**
- The Council's Grant Advisory Group provides the County Council with a written report on **April 29, 2016.**
- The County Council announces grants approved for funding by **June 1, 2016.**
- The grant year begins on **July 1, 2016 to June 30, 2017.** Funding will only become available approximately 60 to 120 days after July 1, 2016, after execution of a required contract with the Montgomery County Government that includes reporting. Organizations should not deliver any services or purchase any goods prior to the execution of the contract).
- The Grant project and report must be finished by **June 30, 2017.**

Changes from last year's procedure include the application date from Sept 18 to January 13, a requirement to supply a name for each application submitted and a requirement to present financial information using an Excel worksheet.

ALL County Council and County Executive Grant applications must be submitted through the Online Grants Portal. While both applications are similar and are using the same online system, it is not a joint application. Applicants may apply for grants from both the Council and the Executive, but must file two separate direct applications through the online Grants Portal. Most of the narrative questions on both the County Council and County Executive grant applications are identical, and the deadline for both applications is the same. There is a significant emphasis on encouraging a collaborative approach and encouraging applicants to seek additional funding from other sources.

County Executive Community Collaboration Grant

The Montgomery County Executive's Community Collaboration Grants may be included in the County Executive's annual recommended budget to support non-profit organizations delivering services consistent with the County Executive's Mission Statement. Applications for the Executive's

Community Collaboration Grants are subject to the Maryland Public Information Act (MPIA). All County Executive Community Collaboration Grant requests are submitted to the Office of Management and Budget; OMB recommends the best ones to the County Executive and talks with the departments that would be involved in oversight. The individual departments investigate the grant requests. The County Executive personally reviews the whole list and includes his recommendation in his Operating Budget which is finally approved by the County Council.

County Council Grants

The council requests applications for programs and projects that advance the county's services, goals, and objectives, including, but not limited to the following areas: community development, economic development, education, health and human services, and recreation. A community Grants Advisory Group appointed by the County Council assists in the review process through evaluations of proposals. The council makes decisions on the funding of proposals as part of its actions on the county Operating Budget.

The council has not set a limit on the amount of funding an applicant can request. However, for the last several years, approximately 75%-80% of the proposals funded by the council through its grants review process were \$50,000 or less. There is no limit on the number of proposals from a single organization. In addition to program-related requests, the council has funded capital equipment purchases, administrative support, staff training, and other "overhead" type requests. They must be specifically described and identified for a specific purpose. The council ultimately funded nearly \$2.7 million in grants, as part of the council's actions on the FY2017 operating budget.

The County Council appoints a Grants Advisory Group to evaluate the applications and invites applicants to a brief (15 minute) Q&A session to answer any questions the team may have about an application and to allow the applicant to advocate for its proposal. Because of the large number of grant applications and the limited time for review, applicants may not bring any additional materials or invite a group of staff or board members. (One additional representative may accompany the applicant.)

Again because of the large number of applications and limited time frame for review, applicants are assigned a specific date and time for that meeting, and the team does not make adjustments to their schedule except in extraordinary situations. However, the team offers assurances that applications will be given every consideration if an organization is unable to attend. Also, other than discussions during the Q&A, applicants may not contact Grants Advisory Group members regarding the application. Inasmuch as the County Council has directed that applications be reviewed by category, organizations that have submitted multiple applications may be invited to multiple Q&A's on different dates.

This year the Grants Advisory Group is scheduled to issue a written report to the County Council by April 28, 2016. The report will be available on the Council's web site and will contain one-page evaluations of each grant application reviewed by the Grants Advisory Group. This written report will not contain scorings or rankings of applications. In early May, the County Council's Grants Manager will provide recommendations regarding funding of grant applications. In late May, the County Council will make funding decisions.

FROM APPLICANT TO PARTICIPANT

The County Executive administers all the grants including County Council grants. For FY16, the County Executive recommended awards totaling \$5.9 million and the County Council provided \$2.7 million for funding ninety-five programs. The list of grants awarded in FY 16 includes: A Wider

Circle - to furnish homes for Montgomery County's vulnerable children and adults -\$87,000; League of Women Voters of Montgomery County, MD, Inc, Citizens Education Fund - to print and mail the 2016 Primary Voters' Guide to newly registered voters - \$6,000; Catholic Charities-Legal Services for domestic violence victims -\$50,000; Community Ministries of Rockville -to provide support for the Language Outreach program to help foreign born residents -\$40,3385 and Graceful Growing Together Inc. - \$75,000.

The county does not have grant making authority, so all approved grant applications are funded and administered as contracts. Upon selection a non-profit applicant is assigned to a county agency. Since applications include minimal budget information, substantive negotiations as to the final budget and actual project then take place to facilitate the drafting of a contract, followed by monitoring and reports.

Half- yearly reports are filed in a County Council file that numbers 256 pages and continues to grow. All contracts are one year terms. All grants are started and end in the same fiscal year (July1 – June 30). Funding for any selected proposals becomes available approximately 60-120 days after July 1, 2015, after execution of a required contract with Montgomery County Government that includes reporting and other requirements, including insurance. Organizations should not deliver any services or purchase any goods prior to the execution of the contract with the county, and receipt of a valid Purchase Order.

Non-profits must apply for funds in September, undergo various levels of review, receive award notification at end of April or in May for their one- year grant which starts on July, 1, receive funds by midsummer after contract negotiations and complete their project and final report by June 30 of the next year. Next year's application must be ready by the deadline again.

The system of negotiations, drafting of contracts, reports and invoices results in some problems for the non-profits selected.

CONSENSUS QUESTIONS

1. Should the county's current approach of funding many services by grants to non-profits be continued?
2. Should each of the county grants/contracts programs have authority to award multiyear contracts?
3. Should the county's grants program be competitive?
4. Should the county's review process for grant programs involve public participation in the review process?
5. Should all county grant/contracts provide for monitoring?

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