

A Study of Municipal Funding of Nonprofit Agencies For
The
City of College Station, Texas

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Table of Contents

I. Executive Summary	3
II. Introduction	5
III. Benchmarking of Cities	8
1. Introduction.....	8
2. Literature Review.....	8
a. Evolution of Benchmarking.....	9
b. Benchmarking Defined.....	11
c. Contract Benchmarking Techniques-What the Feds Do.....	12
d. OMB Best Practices Utilize by State and Local Governments.....	15
e. Community Development Block Grant (CDBG).....	19
3. Methodology	20
4. Results	26
a. Quantitative.....	26
b. Qualitative.....	36
IV. Nonprofit Evaluation	40
1. Introduction.....	40
2. Literature Review.....	41
3. Methodology.....	46
4. Results.....	49
a. Determine Nonprofit Perceptions.....	49
b. Determine Nonprofit Outcomes.....	51
V. Results Summary	57
VI. Recommendations	58
VII. References	60

Executive Summary

The City of College Station provides funds for local nonprofit agencies through a program called Outside Agency Funding. The City chooses to fund these nonprofits because their services benefit city citizens and their services are not typically provided by city employees. The City Manager's Office asked the Bush School to evaluate their nonprofit funding process and make recommendations for improvement. Specifically, the Bush School was asked to:

- Determine contracting **best practices** through literature review
- **Benchmark** (or compare) College Station nonprofit contracting to the nonprofit contracting practices of other similar cities
- Determine College Station nonprofit contracting **effectiveness**
- Determine nonprofit agency client, staff, and board member **perceptions** of the funding process
- Determine the **outcome** (or success) of the distributed funds and
- Provide **recommendations** as to how to improve the funding policy and the funding process

The Bush School responded by assigning a capstone instructor and seven graduate students to the City's project. First, the capstone team divided up the statement of work into two approaches: 1) Benchmarking of Cities and 2) Nonprofit Evaluation. The benchmarking approach interviewed 36 cities similar to College Station to determine information about their budget allocation to nonprofits and the quality assurance measures used to evaluate nonprofits. Second, the nonprofit evaluation approach used site visit interviews to determine outcomes and perceptions of the 14 nonprofits provided by the City of College Station.

Based on the results of the Benchmarking and Nonprofit Evaluation approaches, the capstone team found:

- For the amount of City budgets use on nonprofits, the City of College Station was higher on the mean, median, max values than Texas cities and higher on the mean, median, but less max values than Non-Texas Cities. For the amount of CDBG funds use on nonprofits, the City of College Station was higher on the mean, median, max values than Texas cities, and lower on the mean, median, max values than Non-Texas cities.
- For the number of QAMs used to assess nonprofit, the City of College Station was higher than other Texas and Non-Texas cities except Chapel Hill

- For the amount QAMs used to assess nonprofits, the City of College Station was similar to three Texas cities (Plano, Denton, McKinney) and to Chapel, Hill, Columbia, Champaign.
- For nonprofit agency staff perceptions, the City communicates well with the nonprofit agencies they provide funding to. Most complaints were about the onerous six week long application process and most suggestions were about simplifying the application process.
- For determining outcomes, the study used the Kellogg based logic model to illustrate the resources, activities, outputs, and outcomes, of each of the funded nonprofit agencies. The used the nonprofit funding process to fund agencies to the following services: Arts and Culture, Economic Development, and Social Services.

Based on the results, the capstone team provides the following recommendations:

- The City Manager, City Council, or Citizen's Committee use the dimensions of the model we constructed to compare its nonprofit funding program to that of other cities.
- The City consider lessening the size of the application document and simplifying the application process. In addition we recommend the City survey the nonprofits to determine the specific aspects of the application process that are burdensome and tedious
- Based on best practices program evaluation literature, we suggest the City use the logic model template provided in this report to demonstrate outcomes of funded nonprofits.

Introduction

The City of College Station funds nonprofit agencies through the Outside Agency Funding program. Over the past few years, the City has sought to streamline and improve the program. No standard method had been identified by the City as a “best practices” model to assist in improving the funding process. Therefore, the City entered into a collaborative research project with the George Bush School of Government and Public Service at Texas A&M University. Researchers from the Bush School were tasked with providing academic insight into the following items specified by the City in a Statement of Work (SOW):

1. Determine contracting best practices through literature review
2. Benchmark (or compare) College Station nonprofit contracting to the nonprofit contracting practices of other similar cities
3. Determine College Station nonprofit contracting effectiveness
4. Determine nonprofit agency client, staff, and board member perceptions of the funding process.
5. Determine the outcome (or success) of the distributed funds and
6. Provide recommendations as to how to improve the funding policy and the funding process.

Researchers divided the set of questions which generated two separate studies. The first study focused benchmarking (or comparing) College Station nonprofit funding to that of other similar cities and thus focused on items 1 through 3 above. Student researchers in this group generated a set of comparison cities, performed a literature review to identify best practices within government nonprofit contracting, queried personnel in the selected cities and analyzed their responses. The second study attempted to answer objectives 4 and 5 through an analysis of the City's engagement with local nonprofit funding. Student researchers in this group performed a separate literature review, developed an interview template for staff at

nonprofit agencies and analyzed staff responses and finally students from both studies generated item 6 above (recommendations for improving the nonprofit funding program)..

Overview of Nonprofit Funding by the City of College Station

The City funds a number of nonprofits that provide services for the citizens of College Station each fiscal year. The amount of funding received by each agency depends on City Council direction and the availability of funds. The City of College Station has traditionally allocated approximately 1% of the total annual budget to fund nonprofit agencies and funds an average of 19 to 25 agencies per fiscal year. Agencies are funded from various sources within the overall budget: General Fund, Community Development Fund, Hotel Tax Fund, Electric Fund, BVSWMA fund, and the Economic Development Fund and Sanitation Fund. The City Council approved a resolution adopting a new Outside Agency Funding Policy in February 2007. This policy establishes four categories of Outside Agencies: Contract Partners, Department Budget Agencies, federal Community Development Block Grant (CDBG) eligible Agencies, and non-CDBG eligible Agencies.

Contract Partners are agencies that have been identified based on their economic impact and the community services provided to the City. The Contract Partner agencies are: the Convention and Visitors Bureau, The Research Valley Partnership, and the Arts Council of Brazos Valley. Department Budget Agencies are agencies whose work directly supports the goals of a city department. The Department Budget Agencies are: Brazos Valley Veterans Memorial, College Station Noon Lions Club, The George Bush Presidential Library and Museum, and Keep Brazos Beautiful. Agencies that are not eligible for federal CDBG funding go through an application process. Applications are reviewed by the Outside Agency Funding Review Committee (OAFRC) which, in turn, submits its recommendations to the City Council for consideration. All funding is ultimately approved by the City Council. CDBG eligible agencies go through the Joint Relief Funding Review Committee (JRFRC) selection process. This committee is made up of members from both College Station and the city of Bryan. The JRFRC reviews all

requests for CDBG funds available for public agencies and makes recommendations to both cities on which agencies should receive funding. Traditionally, the City of College Station allocates the full 15% allowable for CDBG funds to be utilized for public services (nonprofits) according to Department of Housing and Urban Development (HUD) regulations.

City of College Station Nonprofit Contracting and Accountability

The City of College Station enters into formal contracts with agencies approved for funding. There are generally no performance incentives, but there are penalty sanctions within most contracts. Much of these sanctions simply state if the work expected is not performed the funds will not be distributed. The City of College Station does not perform specific self assessments or professional program evaluation. However, as part of their contracts, each agency is expected to adhere to a set of performance measures, such as monitoring or progress reports. These vary by agency and are usually determined by mutual consent from the agency and city. Regarding site visits, the City of College Station has a goal of visiting each agency separately and routinely. However, due to a lack of time and resources, site visits usually only occur when concerns about expenditures are raised. Client satisfaction surveys are not utilized by the City of College Station. However, it must be noted that, although no formal process is in place, displeasure on either the part of the client or the general citizenry usually results in change.

The City of College Station staff routinely updates the City Council on funding to outside agencies. And, there is a general year overview presented to City Council – usually as part of the budget funding process. The City of College Station utilizes citizen satisfaction survey on general city services. But, no specific surveys are issued to determine citizen satisfaction with funding to nonprofits. However, as aforementioned, public outcry or City Council changes generally result in changes to nonprofit funding. CDBG contracting operates based solely upon HUD guidelines and is therefore subject to federally designated reporting and performance

measures. The City must adhere to all HUD regulations and contracting procedures (HUD, www.hud.gov).

Benchmarking of Cities

Introduction

The City of College Station requested researchers from the George Bush School of Government and Public Service to assist the City in determining how best to serve nonprofit agencies. One method requested by the City was to use benchmarking principles as a tool complete the statement of work. Specifically, benchmarking was used to address the following items of the SOW:

1. Determine contracting best practices through literature review;
2. Benchmark (or compare) College Station nonprofit contracting to the nonprofit contracting practices of other similar cities; and
3. Determine College Station nonprofit contracting effectiveness

The first step the capstone team performed was building an academic foundation for evaluating the funding program through literature review.

Literature Review

Evolution of Benchmarking

Benchmarking has a long history. Land surveyors developed a system of fixed reference points—rocks, trees, landmarks, etc.—in order to measure distances throughout vast expanses of land (Saul, 2004). The concept of benchmarking organizations was created for similar reasons. Some argue that benchmarking began as a rudimentary process in the mid-20th

century as a result of industrial competition spawned by WWII (Saul, 2004). The actual usage of the term as an organizational method to improve organizational performance began during the 1970's when U.S. firms were forced to respond to intense competition arising out of Asian markets, particularly Japan (Saul 2004). In fact, Merriam-Webster Dictionary (2008) defines benchmark as “something that serves as a standard by which others may be measured or judged” whereas Random House College Dictionary (1982) defines benchmark as simply “a marked point of known or assumed elevation.” This example supports the assertion that benchmarking, as both a concept and a tool, extending beyond the scope of surveying is indeed a rather recent development.

The evolving concept of benchmarking rose during the 1940's and involved primarily comparative product analysis. Competitive firms looked outside of their organizations to examine products from rival firms. The focus was placed solely on product design and included elements such as competitor product characteristics, functionality, and performance. Rival firms consistently engaged in an ongoing battle to figure out each competitor's comparative product advantage. More often than not, this process relied heavily on reverse engineering and product duplication. Watson (1993) has termed this period of benchmarking “reverse engineering” and has identified a total of five periods of benchmarking evolution. Most authors, however, have identified this period as merely a precursor to benchmarking as opposed to a clearly distinguishable period of early benchmarking itself (Kyro 2003, 213).

There is a general consensus that the evolution of benchmarking began when organizations identified more than just competitor product comparison, but instead discovered a combination of factors—the various processes involved in production—contribute to competitive advantage. Thus, organizations began to emphasize “competitive benchmarking” (the second period identified by Watson) as a method for comparing the external processes of competitors to improve the internal processes of the organization.

The shifting of this methodology to companies *outside* of a given industry mark the “process benchmarking” period. David T. Kearns, of Xerox Corporation, is often accredited as pioneering this transition in the early 1980’s. Instead of looking directly at the processes of Japanese companies, he applied known benchmarking techniques to an industry outsider, L.L. Bean, to target deficiencies in Xerox processes (Letts, Ryan and Grossman 2003, 2). The fourth generation, introduced in the 1990’s and identified as “strategic benchmarking”, involves moving beyond known process evaluation to strategic planning. As the term “strategic” implies, organizations engage in a systematic process to identify external industry leaders across all industries to single-out and implement successful *long-term* strategies and general approaches to improve overall performance (Kyro 2003, 213).

The fifth and final evolutionary period of benchmarking, “global benchmarking”, incorporates elements of the aforementioned types and applies various concepts and methodologies to address the complexities emerging from globalization. In other words, no longer can organizations afford to look only outside their respective industries; they must now look at organizations beyond national borders to stay competitive. In addition, Paula Kyro (2003) has proposed two additional conceptual classifications to supplement the aforementioned evolutionary stages of benchmarking—competence benchmarking and network benchmarking.

Kyro has identified competence benchmarking as a conceptual model that identifies changing the actions and behaviors of individuals and teams within an organization as the underpinnings of overall organizational change. Therefore, organizations focus on developing both competencies and skills to change organizational culture within an organization to foster improving effective internal processes (Kyro 2003, 214).

This model differs significantly from previous attempts at organizational interactive learning that focused on problems instead of processes. Interactive learning within organizations to shape organizational culture is also bound by internal constraints as witnessed

in the early stages of modern benchmarking evolution. Globalization has increasingly afforded, and oftentimes demanded, looking beyond learning from others to change internal processes. Learning with others by establishing networks comprised not only of similar organizations and industries, but also through highly eclectic networks classifies the conceptual model of network benchmarking.

Benchmarking Defined

As previously mentioned, the concept of benchmarking has evolved over time. However, the basic principle of evaluation and organizational improvement by learning from others remains firmly rooted in each generation. The evolution of benchmarking provides a framework for analyzing how the processes of applied organizational benchmarking have changed over time. While a basic definition can be inferred, a contemporary working definition is dependent upon the definer (Dattakumar and Jagadeesh 2003, 176). This is, of course, subject to the interpretation of individuals, groups, and various academic studies. For example, benchmarking has been defined in the following ways (Saul 2004, 2):

- *Continuous process of measuring* products, services, and practices against the toughest competitors or those companies recognized as industry leaders (D.T. Kerns, Xerox Corp.).
- *Continuous process of measuring* your current business operations and comparing them to those of best-in-class companies (AT&T Benchmarking Group).
- A systematic and *continuous measurement process*; a process of continuously comparing and measuring an organization's business processes against business leaders anywhere in the world to gain information which will help the organization take action to improve its performance (International Benchmarking Clearinghouse).

Each of the above definitions differs, but not significantly. Not only are the elements of the rudimentary definition present, but each benchmarking definition also includes "a process of continual evaluation and measuring". Combining the elements provides a usable definition of

benchmarking: “A systematic, continuous process of measuring and comparing an organization’s business processes against leaders in any industry to gain insights that will help the organization take action to improve its performance” (Saul 2004, 1).

Because benchmarking emphasizes performance evaluation of an organization relative to others, it is often referred to as “best practices”. However, benchmarking does more than just identify and incorporate best practices. Instead, benchmarking is far more dynamic and includes comparative measurement, active goal-setting, and outcome evaluation (Letts, Ryan and Grossman 2003, 1). Benchmarking provides an organization with the ability to identify external best practices as well as enabling an organization to implement and continually evaluate innovative processes to produce internal best practices. In other words, benchmarking allows an organization to not only identify best practices it can also innovate and produce best practices (Saul 2004, 3).

Contract Benchmarking Techniques—What the Feds Do

Over the last decade and a half, a major transition has been taking place in federal government contracting. Both the legislative and the executive branch have reformed contract laws and policies that have shifted the focus from traditional service contracting to results-based contracting. Performance-based service contracting (PBSC) is a method to move contracting away from reliance on contractor input and process design toward that of outputs, quality, and outcome performance.

PBSC places emphasis on a collaborative effort between government agencies and contractors to improve program performance instead of adhering to the archaic method of contract compliance (Martin 2005, 65). Starting in 1991, the Office of Federal Procurement Policy (OFPP) of the Office of Management and Budget (OMB) issued Policy Letter 91-2 that required performance requirements and quality standards to be incorporated into federal contracting by all federal agencies to the maximum extent practicable when acquiring services (OFPP Website). Subsequent reforms, such as the Government Performance and Results Act

(GPRA) of 1993, the Federal Acquisition Streamlining Act (FASA) of 1994, and the Clinger-Cohen Act of 1996, all incorporated laws and policies that focus heavily on incorporating performance measures in federal contracting programs and acquisitions (OFPP Website). In 1997, performance based contracting requirements were incorporated into the Federal Acquisition Regulations (FAR section 37.6) and the following year OMB issued *A Guide to Best Practices for Performance Based Service Contracting* (OMB, 1998).

Through information gathered from interviews, articles, and existing government guidance the 1998 guide was constructed to provide federal agencies with identified best practices for drafting statements of work, solicitations, quality assurance plans, and in awarding and administering performance based contracts. The overarching design of the guide was to provide non-binding assistance to federal agencies for adoption and implementation of PBSC (OMB, 1998). Several key elements were identified in the guide as crucial components for successful PBSC:

- (1) Performance Work Statement (PWS);
- (2) Quality Assurance Plan (QAP); and
- (3) Financial incentives

The PWS describes the effort in terms of measurable performance outputs and is the foundation of PBSC. To determine if contractor services meet PWS requirements, a QAP is developed which enables direct correspondence to the PWS performance standards and provides the ability to measure contractor performance. Based upon QAP measurements, either positive or negative financial incentives should be incorporated accordingly. According to the Guide, “incomplete application of all three elements is not likely to be successful to the implementing agency” (OMB, 1998).

Although the move to performance based contracting at the federal level has produced exceptional results, it is worth mentioning problems identified by the Government Accounting Office (GAO). They found that several large federal agencies that implemented PBSC had

issues specifically with incentive-based contracting. Although incentives fees were incorporated into contracts as directed, the GAO discovered instances over a two-year period, 2005-2007, where the incentives were not linked to outcomes as specifically outlined in federal guidelines. Subsequently, incentive fees were distributed regardless of the results (Brodsky, 2007). To combat this trend, OFPP administrator Paul A. Denett issued a memorandum in late 2007 to require federal agency executives to review and update the use of incentive contracts in an effort to tie incentive fee contracts to well-defined and measurable performance results consistent with the Seven Steps and FAR 37.6. Among several key components in effective incentive contracting on his list are:

- Ensure that the acquisition plan and market research state desired outcomes, performance requirements and milestones associated with the contract-type choice;
- Conduct a risk assessment and cost-benefit analysis to support the use of an incentive fee contract;
- Determine whether the administrative costs associated with managing such a contract are outweighed by the expected benefits;
- Demonstrate that enough staff and personnel are available to properly structure and monitor the contract

Essentially, the items listed above should be included in future incentive contracting initiatives by senior procurement executives to help them develop sound planning processes. Therefore, the developed plans would include metrics for measuring the performance of contractors. Standards would be created to assist agencies on evaluating appropriate fee amounts for contract satisfaction or punitive measures for incomplete performance. The plan should also establish a baseline performance rating with an associated fee for at least adequate performance. Firms that have above standard performance ratings would then be eligible for incentives based upon a defined percentage of the award fee (Brodsky, 2007).

The OFFP later replaced the 1998 guide with the Seven Steps to Performance-Based Acquisition in 2004 which was an updated version that included further refined best practices as previously outlined in the 1998 guide. This was primarily a result of the federal acquisition workforce's inability to completely embrace PBSC. Though the exacting reasons are varied, the primary suspect was a simple resistance to change, also known as traditional "acquisition think" in the federal procurement system. A bureaucratic adherence to the status quo combined with perceived additional burdens and initial costs of PBSC implementation created resistance to initial OMB efforts at all levels in the federal procurement system. The Seven Steps were created to simplify PBSC processes in order to shift the paradigm towards performance-oriented teamwork that focuses on program improvement and not on the more traditional method of contract compliance (OFPP website). The Seven Steps are as follows:

1. Establish an integrated solutions team
2. Describe the problem that needs to be solved
3. Examine the private sector and public sector solutions
4. Develop a performance work statement or statement of objectives
5. Decide how to measure and manage performance
6. Select the right contractor
7. Manage performance

OMB Best Practices Utilized by State and Local Governments

As previously outlined, the federal government has placed a high degree of significance on performance based contracting. As of 2005, federal agencies have applied performance based contracting to approximately 50% of all eligible contracts (Moy, 2005). State and local agencies have initiated performance based contracting initiatives set by the federal government, although there is a varying degree of federal best practices incorporation as those outlined by the OMB. There is no standard format or guide applicable to all agencies at all levels of

government. Instead, the literature indicates a mixture of federal guideline incorporation into various state and local level performance based contracting initiatives. One study that explored and compared federal and state tactics of performance based contracting identified four key problems with the federal approach:

- Definitional confusion where various departments and regulations cause different interpretations of how performance based contracting is defined,
- Failure to link performance based contracting more closely with GPRA,
- A one size fits all approach, and
- A preference for design considerations

Often when the federal government identifies steps in the PBSC process, state and local agencies take specific actions to improve PBSC within agencies. OMB performance measure utilization at the state and local level can vary in frequency depending upon factors unique to each entity. There is no one size fits all model that can be enacted ubiquitously. However, the majority of state and local agencies have used the federal model to at least some degree. Researchers analyzed the OMB guide and outlined the following subcomponent measures for optimal performance appraisal:

Performance Incentives

Can be either subjective or objective or some combination thereof. The main intent of this form of incentive is to focus the contractor's performance based upon performance measures deemed significant for the period being evaluated. Performance incentives may reward the contractor for exceeding expected performance in some performance areas, achieving significant baseline performance, or for correcting poor past performance.

Schedule Incentives

May be either subjective or objective, however, subjective schedule incentives are of questionable value. To place an incentive on schedule, agencies should receive a benefit (e.g. the achievement of a significant milestone with an ambitious delivery date or the early completion of a milestone allowing additional work to be performed). The reward for achievement of a schedule incentive should be conditioned on the satisfactory achievement of all related performance measures.

Management Incentives

Can be either subjective or objective, and may address such things as the contractor's overall judgment, responsiveness to stakeholder concerns, etc., however are most often subjective in nature. They may be inherent within other types of incentives as well. Depending upon the nature of site contracts, it may be desirable to "incentivize" management separately from other performance incentives.

Cost Incentives

These incentives can be either subjective or objective. Subjective cost incentives should be avoided if possible in that the subjective evaluation of cost reductions or increases is not nearly as effective as objective cost incentives. Goals such as "... perform in a cost efficient manner..." or "...reduce costs 10% below the previous baseline..." without quantifiable elements are hard to verify effectively. Objective cost incentives can lead to more efficient performance, but only to the extent that several conditions are met.

Incremental Incentives

These can be defined as incentives earned or lost in specific increments relative to a metric. When using this type of incentive, a government agency would normally lose an opportunity if a specific metric were missed and would not receive any additional benefit by being earlier than the next specific metric indicated. Incremental incentives may be used in conjunction with both performance and cost incentives.

Quality Assurance

The quality assurance plan (QAP) provides the method to determine if the contractor meets the performance standards in the statement of work. The QAP provides how and when surveillance, in accordance with the statement of work, or similar document, will be performed. The QAP measures performance against the standards in the statement of work and both documents should be included as part of the solicitation.

Cost Reimbursement

Cost reimbursement contracts can be divided into 1.) Cost Contracts - a cost reimbursement contract in which the contractor receives no fee, 2.) Cost Sharing Contracts - a cost reimbursement contract in which the contractor receives no fee and is reimbursed only for an agreed upon portion of its allowable costs as set forth in the contract and 3.) Cost Plus Fixed Fee Contracts - provides for payment to the contractor of a negotiated fee that is fixed at the inception of the contract. The fee does not vary with actual cost, but may be adjusted as a result of changes in the scope of work to be performed under the contract. This contracting type permits contracting for efforts that might otherwise present too great a risk to contractors, under any other contract type.

Self Assessment

Performance objectives, measures, and expectations should be developed sufficiently far in advance to allow meaningful self assessment of contractor performance. Documentation is needed to provide reasonable assurance that objectives are being met and to support the need for full disclosure of the accomplishments and weaknesses of contractor performance.

Performance Specifications

Performance specifications specify the means by which performance objectives are to be achieved, whereas functional specifications only require that the contractor achieve an end result. Functional specifications do not specify the means of achieving that result nor do they specify the processes or procedures which the contractor is required to use in performance.

Community Development Block Grant (CDBG)

The Department of Housing and Urban Development administers various programs and entitlements to states and municipalities throughout the United States in an effort to foster community development. A sub-component of HUD's overall mission is the Community Development Block Grant. The CDBG program is a long-standing program within HUD that allocates monetary awards to localities to be utilized specifically for community development. The amounts of awards and the process of allocation vary depending upon factors specific to municipalities such as population and per capita income.

All cities that receive grants through CDBG are authorized to dedicate up to 15% of the total yearly amount awarded to public services—mostly composed of nonprofit agencies. As such, the agencies that fall under the definition of public services are required to enter into a formal contract following the same guidelines outlined above; specifically FAR, OFPP, and OMB. The City of College Station uses benchmarking for the management of their nonprofit contracts. This was not always the case, however; public demand asked the City to apply more rigorous oversight of the nonprofit agencies. Typically, the City's current benchmarking focuses on outputs rather than outcomes. Utilizing the prevailing literature along with other government data supplied regarding benchmarking, this study will provide the City the tools it can utilize to enhance their use of performance measurement and benchmarking.

Methodology

Researchers

Seven Bush School graduate students were involved in the study under the supervisory direction of a Bush School professor. These students were all enrolled in the Bush School capstone. This class met formally once a week on a Friday and informally on multiple occasions throughout the fall and spring semesters of the 2009 academic year.

Procedure

Phase One - The Selection of City Study Participants

Criteria for the Selection of In-State Cities

The City of College Station specifically requested researchers include 10 Texas cities. The 10 cities selected were chosen by the City as potential benchmark cities by comparing salary and benefit information for each city. These cities exhibit characteristics that the City of College Station considers to be similar to College Station. Based on 2007 population estimates obtained from the website City-Data.com, the population for the 10 cities in Texas ranged from 50,373 to 260,796. The average population of the cities was 169,774. This was considerably higher than the 2007 population of College Station of 80,315. Moreover, eight out of ten cities had a population higher than that of College Station.

Table 1: Selected Texas Cities

Cities	Total Population
Carrollton	123,799
Flower Mound	68,337
Frisco	88,529
McKinney	115,620
Plano	260,796
Denton	115,506
Round Rock	96,992
San Marcos	50,373
Lubbock	217,326
Waco	122,222

Criteria for the Selection of Out-Of State Cities

Thirty-four cities identified by the researchers to be involved in the study were selected on the following four criteria: (1) that a university was located within the boundary lines of the city; (2) the size of the student population of the city (a minimum full-time student enrollment of at least 10,000); (3) the size of the population of the city (between 50,000 and 150,00, with the exception of Morgantown); and (4) the regional location of the city (north, south, east and west). Forty four cities, including thirty four out-of-state cities that met the above criteria as well as the ten cities requested by the City, were chosen.

According to the population information of 2007 from the website City-Data.com and the student population information in 2007 from the National Center for Education Statistics, the population ranged from 29,361 to 133,899 and the student population ranged from 12,619 to 51,725 respectively. The regional average population was as follows: Midwest 83,805, Northeast 103,512, Southeast 72,623, Southwest 92,467, and the West 101,049. Comparatively, the Northeast had the highest average population than the other regions. The average student population for the regions was: Midwest 36,157, Northeast 13,479, Southeast 27,769, Southwest 20,896, and the West 27,188. The Midwest had the highest student population relative to the other regions.

Table 2: Selected Cities

City	State	Total Population	Student Population
Ann Arbor	MI	115,092	41,042
Athens	GA	85,576	33,831
Athens	GA	85,576	33,831
Berkeley	CA	101,377	34,940
Bloomington	IN	72,254	38,990
Boca Raton	FL	83,381	26,193
Boulder	CO	93,552	31,796
Carrollton	TX	123,799	N/A
Champaign	IL	75,515	42,326
Chapel Hill	NC	51,574	28,136
Clearwater	FL	106,642	26,450
Columbia	MO	99,174	28,405
Conway	AR	57,006	12,619
Davenport	IA	98,975	48,000
Davis	CA	62,724	29,796
Daytona Beach	FL	64,371	32,088
Denton	TX	115,506	34,268
Edmond	OK	78,226	15,724
Fayetteville	AR	72,208	18,648
Flower Mound	TX	68,337	N/A
Fort Collins	CO	133,899	27,569
Frisco	TX	88,529	N/A
Fullerton	CA	132,066	37,130
Gainesville	FL	104,828	51,725
Hammond	IN	77,175	9,607
Indiana	PA	14,827	14,018
Iowa City	IA	67,062	29,117
Lawrence	KS	89,852	30,102
Lowell	MA	103,512	13,479
Lubbock	TX	217,326	28,260
Lynchburg	VA	71,282	20,252
McKinney	TX	115,620	N/A
Missoula	MT	67,165	13,628
Morgantown	WV	29,361	28,113
New Brunswick	NJ	50,534	34,804
Norman	OK	106,707	26,068
Orem	UT	93,078	23,840
Plano	TX	260,796	N/A
Round Rock	TX	96,992	N/A
San Marcos	TX	50,373	29,125
Santa Barbara	CA	86,204	21,410
Sugar Land	TX	79,682	N/A
Syracuse	NY	139,079	19,084
Waco	TX	122,222	14,040

Phase Two - The Best Practice Contract Elements Selection Process

The OMB publication *A Guide to Best-Practices for Performance-Based Service Contracting* (1998) was used to identify potential benchmarking performance measurement criteria. From this document a total of eighteen different contract elements were identified. However, this total was reduced to seven criteria primarily due to the limited amount of time available in the spring semester to accurately gather and analyze all eighteen measurement criteria across the cities selected in the study. The seven performance measures were selected as exhibiting attributes most consistent and identifiable as best practices in performance based contracting. The quality assurance performance measures identified were:

- Performance Incentives
- Self Assessment or Professional Program
- Site Visits
- Monitoring or Progress Reports
- Nonprofit Satisfaction Surveys of City Funding Performance
- Annual Reports
- Citizen Surveys of Nonprofit Performance Conducted by the City

Phase Three – Searching the Internet for Documents

Each student was assigned up to seven cities at random from the total sample. Every week for the first seven weeks of the project, each student spent an average of 2 hours searching city government web sites for each assigned city in an attempt to identify and procure nonprofit funding agreements/contracts, CBDG contract documents, annual budget reports, contract templates, CDBG CAPER reports and action plans. When a document was found, it was properly labeled for content and then loaded into individually labeled folders for each city on the Bush School capstone database. All supporting documents or any other pertinent information was also downloaded into each respective city folder. A tally was taken each week

according to document type for each city for which contract documents had been found. Any problems with document procurement were identified and catalogued as deficient.

Once an internet search for contract documents had been thoroughly exhausted for each city, IRB approval was sought for contacting city agencies and representatives by phone or email. Researchers created an Excel comparison grid which listed cities along the vertical axis and selected contract elements along the horizontal axis to be utilized for contract criteria comparisons across all cities in the study. All capstone members proceeded to analyze each document obtained for individually assigned cities to identify performance measures and other data useful for statistical comparison.

Phase Four – Telephone Surveys

A telephone survey was generated to verify the data retrieved from the documents obtained from the Internet, but also to clarify items that could not be found. Each question of the survey related specifically to each item identified in the Excel matrix. Once Institutional Review Board (IRB) approval was obtained, capstone members compiled contact lists for each assigned city and began interviewing cities. Every city in the study was contacted by telephone and surveyed regardless of the degree of information obtained through previously conducted document research. Also, all information obtained through document research was verified with each city representative for consistency. Despite the use of multiple sources and repeated attempts to exploit all sources, there were a few instances in which retrieving data was impossible due to a lack of response by chosen cities. Researchers concluded that certain cities should be excluded due to unsuccessful attempts to retrieve data despite exhaustive efforts to obtain the needed data. Based on several unsuccessful attempts to acquire necessary data the following cities were dropped from the research sample:

Hammond, IN New Brunswick, NJ Syracuse, NY Ann Arbor, MI Davis, CA Provo, UT Indiana, PA
--

This resulted in a reduction of the sample number to 37 cities. Additionally, Sugarland, Texas was dropped from the sample because the city does not engage in nonprofit funding using municipal funds, nor does the city allocate any CDBG funds to public services. This further reduced the overall sample to a total of 36 cities—10 in Texas and 26 outside of the state.

Table 3: Final List of Sample Cities:

Texas Cities	Non-Texas Cities	
Carrollton	Athens, GA	Fort Collins, CO
Denton	Berkeley, CA	Fullerton, CA
Flower Mound	Bloomington, IN	Gainesville, FL
Frisco	Boca Raton, FL	Iowa City, IA
Lubbock	Boulder, CO	Lawrence, KS
McKinney	Champaign, IL	Lowell, MA
Plano	Chapel Hill, NC	Lynchburg, VA
Round Rock	Clearwater, FL	Missoula, MT
San Marcos	Columbia, MO	Morgantown, WV
Waco	Conway, AR	Norman, OK
	Davenport, IA	Orem, UT
	Daytona Beach, FL	Santa Barbara, CA
	Edmond, OK	
	Fayetteville, AR	

Phase Five – Data Analysis Preparations

Capstone members began the data analysis phase by arranging and coding all collected data. The cities were arranged into two groups—Texas and Non-Texas—along the vertical axis in an Excel spreadsheet. All measurement criteria were listed sequentially along the horizontal axis beginning with agency funding criteria and proceeding to quality assurance criteria. Data fields were reviewed systematically to identify any inconsistencies or human errors and cross-checked by separate members to increase data reliability before proceeding into the final stage—data analysis and results.

Results

Quantitative

Researchers used compiled budget data to determine the percentage of total budget each city allocated to nonprofit agencies as well as the percentage of CDBG allocated to nonprofit agencies. Additionally, seven quality assurance measurements (QAM) of the cities were coded and analyzed. The QAMs were coded 1 (yes) or 0 (no). For example, if a city did site visits, the result was designated "1" in the appropriate data field. Table 4 denotes the percentages of funds allocated to nonprofits from city budgets and CDBG budgets in the second and third columns; the seven QAMs are listed in columns 6 through 12; and columns 4 and 5 represent the total number of agencies funded by each city through local funds or CDBG funds respectively. Using the data compilation provides a comparative analysis of the City of College Station to each city in the sample across all criteria.

Table 4: Benchmarking Data Analysis Grid

Criteria Cities	Percent of the Total City Budget to Nonprofits	Percent of CDBG to Nonprofits (N.15 max)	Number of Nonprofits Funded by City Funds	Number of Nonprofits Funded by CDBG Funds	Performance Incentives/ Penalty	Self Assessment (or) Professional Program	Site Visits	Monitoring (or) Progress Reports	Nonprofit Satisfaction Surveys of City	Annual Reports	City-Wide Citizen Surveys of
College Station	0.9641%	10.29%	19	8	1	1	1	1	1	1	0
Carrollton	0.4730%	11.18%	11	7	1	0	0	1	0	1	0
Denton	0.0000%	15.00%	0	4	1	1	1	1	0	1	0
Flower Mound	0.1355%	7.16%	25	11	0	0	0	1	0	1	0
Frisco	0.1651%	4.54%	16	1	0	0	0	1	0	1	0
Lubbock	0.1474%	0.00%	9	0	0	0	0	1	0	0	0
McKinney	0.1381%	2.77%	10	4	1	0	1	1	1	1	0
Plano	0.3516%	15.00%	57	15	1	1	1	1	0	1	0
Round Rock	0.3020%	0.00%	23	0	0	0	0	1	0	1	0
San Marcos	0.0374%	15.00%	17	8	0	0	0	0	0	0	0
Waco	0.1609%	15.00%	11	NA	0	0	1	1	0	0	0
Athens, GA	0.2228%	1.97%	8	8	0	0	0	1	0	0	0
Berkeley, CA	0.0570%	8.21%	12	12	1	0	0	1	0	0	0
Bloomington, IN	0.0000%	14.95%	NA	9	1	0	0	1	0	1	0
Boca Raton, FL	0.3395%	8.57%	10	6	0	0	0	0	0	1	0
Boulder, CO	0.2402%	10.97%	40	9	0	0	0	1	0	1	0
Champaign, IL	0.1564%	14.80%	2	5	1	1	1	1	0	1	0
Chapel Hill, NC	1.0000%	15.00%	20	5	0	1	1	1	1	1	0
Clearwater, FL	0.0694%	15.00%	19	19	0	0	1	0	0	1	0
Columbia, MO	0.0474%	15.00%	3	14	1	1	1	1	1	1	0
Conway, AR	0.1186%	0.00%	29	0	0	0	0	0	0	0	0
Davenport, IA	0.0000%	13.71%	0	15	0	0	1	0	0	0	0
Daytona Beach, FL	0.1931%	14.53%	12	7	0	0	1	0	0	1	0
Edmond, OK	0.5398%	14.75%	6	15	0	1	0	1	0	0	0
Fayetteville, AR	0.6582%	13.16%	33	17	1	0	0	1	0	1	0
Fort Collins, CO	0.2092%	0.00%	16	0	0	0	0	0	0	1	0
Fullerton, CA	0.0000%	14.03%	0	19	0	0	0	0	0	0	0
Gainesville, FL	0.9141%	7.29%	12	10	0	0	0	0	0	0	0
Iowa City, IA	0.5364%	14.40%	4	38	0	0	0	1	1	1	0
Lawrence, KS	0.2882%	14.71%	25	10	0	1	0	0	0	0	0
Lowell, MA	1.5628%	13.87%	22	20	0	0	0	0	0	0	0
Lynchburg, VA	0.3216%	14.05%	9	9	0	0	1	1	0	1	0
Missoula, MT	1.0000%	9.51%	40	5	0	0	0	0	0	0	0
Morgantown, WV	0.3260%	11.02%	7	8	0	0	0	0	0	0	0
Norman, OK	0.1451%	0.35%	12		0	0	0	1	0	1	0
Orem, UT	1.8742%	15.00%	50	27	0	0	1	1	0	1	0
Santa Barbara, CA	0.4140%	15.00%	53	20	0	0	0	1	0	0	0

Analysis of City and CDBG Budget Allocation to Nonprofit

The following tables display the percentage of total city budget and CDBG allocated to nonprofit agencies by Texas vs. Non-Texas as well as a by region among all Non-Texas cities:

Table 5: Percent of Total City Budget Allocated to Nonprofit

	Total	Texas City Budget (%)	Non-Texas City Budget (%)
Mean	0.37	0.19	0.43
Median	0.22	0.15	0.26
Min	0.00	0.00	0.00
Max	1.87	0.47	1.87

**College Station:
0.96 %**

Table 6: Percent of Total CDBG Budget Allocated to Nonprofit

	Total	Texas CDBG (%)	Non-Texas CDBG (%)
Mean	10.43	8.57	11.15
Median	13.79	9.17	13.95
Min	0.00	0.00	0.00
Max	15.00	15.00	15.00

**College Station:
10 %**

Table 7: Percent of Total Budget Spent on Nonprofits by Region

Region	State	Cities	Percent of the Total City Budget to Nonprofits	Percent of CDBG to Nonprofits (N.15 max)
Midwest	IA	Davenport	0.00%	14%
		Iowa City	0.29%	15%
	IL	Champaign	0.21%	0%
	IN	Bloomington	0.66%	13%
	KS	Lawrence	0.15%	4%
	MO	Columbia	0.06%	8%
Midwest Average of Percent			0.23%	9%
Northeast	MA	Lowell	0.00%	14%
Northeast Average			0.00%	14%
Southeast	AR	Conway	0.16%	15%
		Fayetteville	0.33%	12%
	FL	Boca Raton	0.12%	0%
		Clearwater	0.54%	14%
		Daytona Beach	0.00%	15%
		Gainesville, FL	0.07%	15%
	GA	Athens	0.05%	15%
	NC	Chapel Hill	1.00%	10%
	VA	Lynchburg	1.56%	14%
	WV	Morgantown	0.91%	7%
Southeast Average of Percent			0.47%	12%
Southwest	OK	Edmond	0.19%	15%
		Norman	0.41%	15%
Southwest Average of Percent			0.30%	15%
West	CA	Berkeley	1.87%	15%
		Fullerton	0.34%	9%
		Santa Barbara	0.24%	11%
	CO	Boulder	0.22%	2%
		Fort Collins	1.00%	15%
	MT	Missoula	0.32%	14%
	UT	Orem	0.54%	15%
West Average of Percent			0.65%	12%

The percent of the total budget spent on nonprofits ranges from 0 to 1.87% with Orem (UT) allocating the largest amount relative to all 36 cities in the analysis (Table 4). However, College Station allocated 0.96% of their budget to nonprofit agencies in 2008, which is the highest value compared to other Texas cities (Table 5). Furthermore, this value is higher than the mean and mode in all non-Texas cities combined (Table 5). When the cities are grouped according to geographic region the average amount for the Midwest is 0.23%, the Northeast is

0, the Southeast is 0.47%, the Southwest is 0.30% and the West is 0.65% (Table 7). Comparatively, the West has the highest percent of the total budget spent on nonprofits than other regions.

The percent spent out of the CDBG budget on nonprofits ranges from 0 to 15% (Note: 15% is the max allowable under HUD regulations). College Station allocated slightly over 10% of their CDBG budget to nonprofit agencies (public services) in 2008, which is higher than the mean and median values in other Texas cities (Table 6). However, it is below the mean and median values of non-Texas cities (Table 6). The average amount for the Midwest is 9%, the Northeast is 14%, the Southeast is 12%, the Southwest is 15%, and the West is 12%. (Table 7) Therefore, although there is still no significant difference of the percent of CDBG spent on nonprofits among the five regions, the Midwest has the lowest percentage and the Southwest has the highest.

Analysis of Quality Assurance Measurements

Researchers used the data collected for the seven quality assurance measurements (QAM) to analyze all 36 cities. The data was interpreted using the following methods.

1. Correlation approach

The first approach was a correlation analysis among seven quality assurance measurements (QAM). From the QAM criteria correlation analysis, it can be determined if the cities which do a QAM criteria perform other QAM criteria together and which criteria have close relationships with each other. Some of the seven QAM criteria in Texas cities have a higher correlation with each other than with others; for example, site visit and self assessment (69% correlation), site visit and annual report (51% correlation), annual report and monitoring (67% correlation). In other words, if the cities in Texas perform site visits, they also tend to use self assessments and annual reports. If they utilize site visits, they also tend to use annual reports, and if they do annual reports, they also tend to use monitoring as well. This implies that Texas

cities perform site visit, self-assessment, monitoring, and annual report together as performance assurance measurements. It can be further highlighted that College Station exceeds most cities in the sample by performing all quality assurance measurements except client satisfaction surveys.

Table 8: The correlation between the seven quality assurance measures

Total cities	penalty	selfassess~t	sitevisi~t	monito~g	agency~y	annual~t	citize~y
penalty	1.0000						
selfassess~t	0.3621	1.0000					
sitevisit	0.1971	0.4776	1.0000				
monitoring	0.3866	0.2490	0.2680	1.0000			
agencysurvey	0.0286	0.2400	0.3166	0.2562	1.0000		
annualreport	0.3000	0.1662	0.4545	0.4301	0.2875	1.0000	
citizensur~y	.	.	.	.	.	.	.

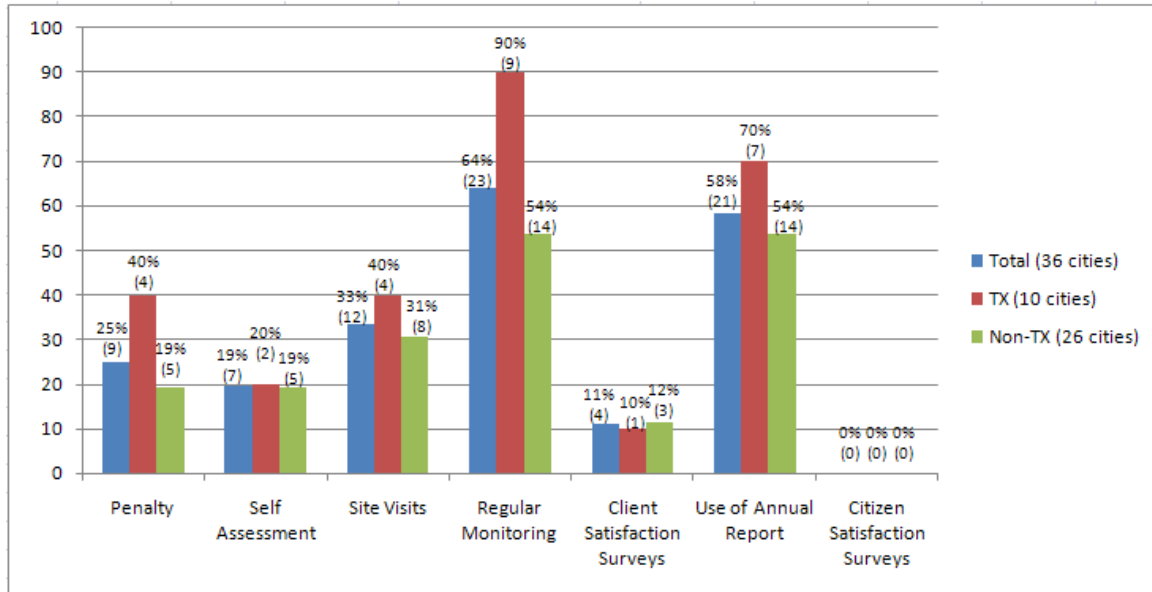
TX cities	penalty	selfass~t	sitevisi~t	monito~g	agency~y	annual~t	citize~y
penalty	1.0000						
selfassess~t	0.4485	1.0000					
sitevisit	0.1000	0.6901	1.0000				
monitoring	0.2887	0.2390	0.3464	1.0000			
agencysurvey	-0.1491	0.3858	0.1491	0.1936	1.0000		
annualreport	0.4303	0.3563	0.5164	0.6708	0.2887	1.0000	
citizensur~y	.	.	.	.	.	.	.

Non TX cities	penalty	selfas~t	sitevisi~t	monito~g	agency~y	annual~t	citize~y
penalty	1.0000						
selfassess~t	0.1797	1.0000					
sitevisit	0.0879	0.2725	1.0000				
monitoring	0.3344	0.1809	0.1409	1.0000			
agencysurvey	-0.0722	-0.0853	0.3651	0.1852	1.0000		
annualreport	0.1204	-0.0000	0.3651	0.3086	0.2000	1.0000	
citizensur~y	.	.	.	.	.	.	.

2. QAM Criteria Analysis for Texas vs. Non-Texas Cities

As a second analysis method, researchers compared each city by QAM using a bar chart represented below:

Figure 1: QAM Criteria Analysis for Texas vs. Non-Texas Cities



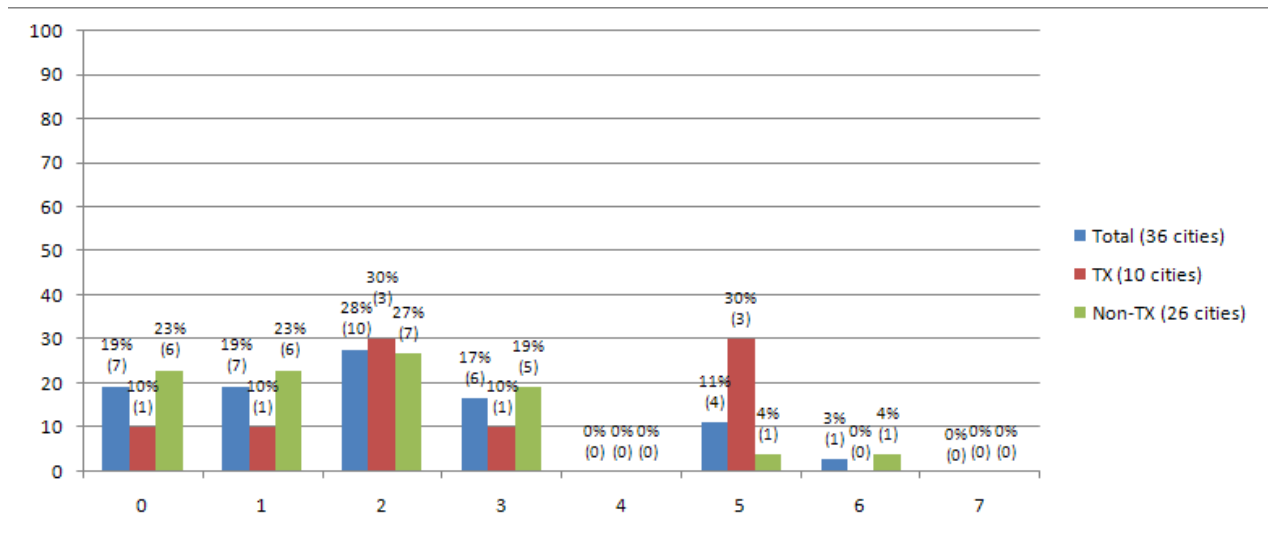
Note : Graph displays the percentages of QAM criteria performed by cities among TX, non-TX, and the total of all cities. (X-axis = Seven quality assurance measurements; Y-axis = Percentage)

Using this method, Texas cities, non-Texas, and all cities combined can be compared across all seven QAM criteria. For standardized comparisons among groupings, researchers transformed each relevant number of cities into a percentage unit. The numbers in parentheses in the above diagram represent the numbers of cities in each group. In order, cities prefer monitoring, annual report, site visit, penalty, self-assessment, agency satisfaction survey, and client satisfaction survey. While Texas cities follow this trend, non-Texas cities were found to prefer Self-assessment and Penalty. We can see more Texas cities generally perform each quality assurance measurement than do other out of state cities. Non-Texas cities use less of each quality assurance measurement compared to total cities and Texas cities. No cities in the sample were found to use citizen satisfaction surveys.

3. Comparison of Total Number of QAM

Each city performs a varying degree of quality assurance measurements; some cities do more QAMs, while other cities perform less QAMs. The following chart displays a range from 0 to 7 representing the total number of QAMs performed by each city and grouped according to Texas, non-Texas, and the total of all cities in the sample.

Figure 2: Comparison of Total Number of QAMs Used

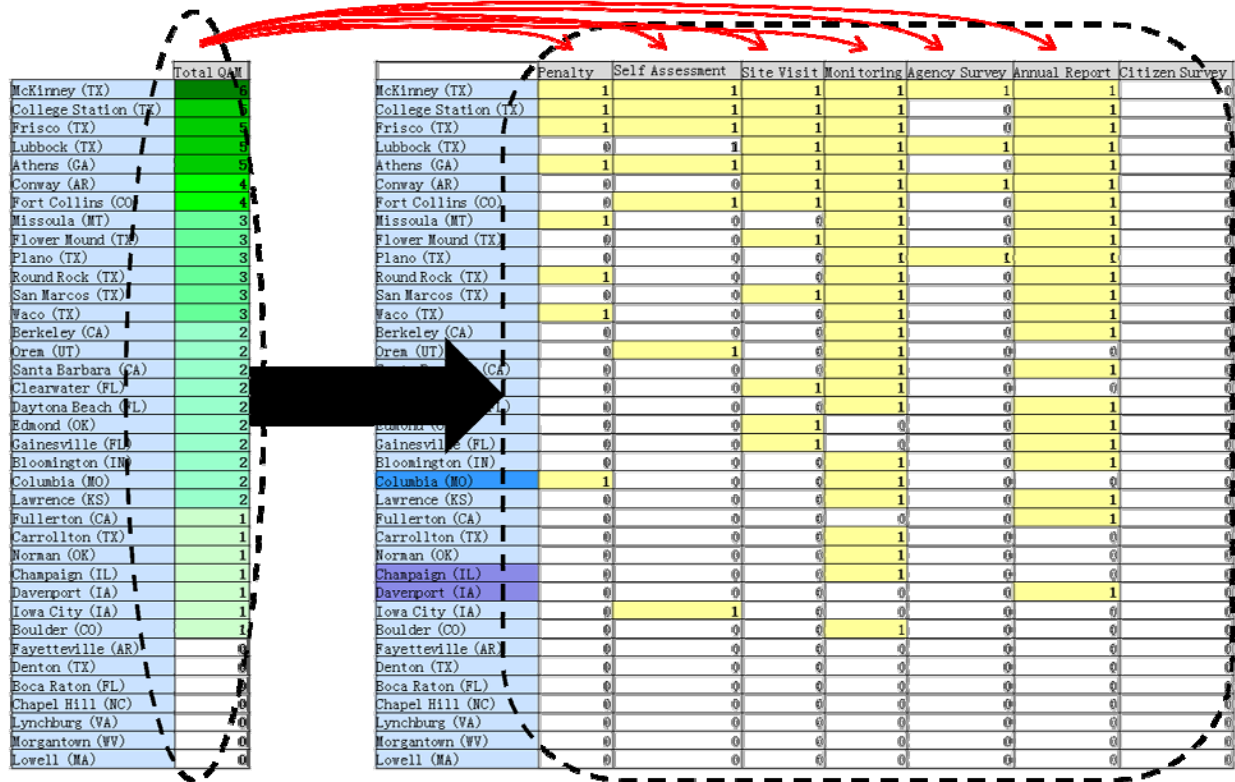


Note: X-axis = Total # of QAM's used (0 = no QAM performed, 7 = all QAM performed; Y-axis = percentage).

College Station performed six of the seven QAM criteria; 35 cities out of 36 cities, 10 cities out of 10 Texas cities and 25 cities out of non-Texas did less QAMs than College Station. Furthermore, only one other city—Chapel Hill (NC)— was found to equal College Station in performing six out of seven QAM's. When each is compared in terms of a percentage, 97% of total cities, 100 % of Texas cities, and 96% of non-Texas cities utilized less QAMs than College Station.

4. Similarity and Closeness Analysis among Cities

Figure 3: Quality Assurance Measurement Matrix by City

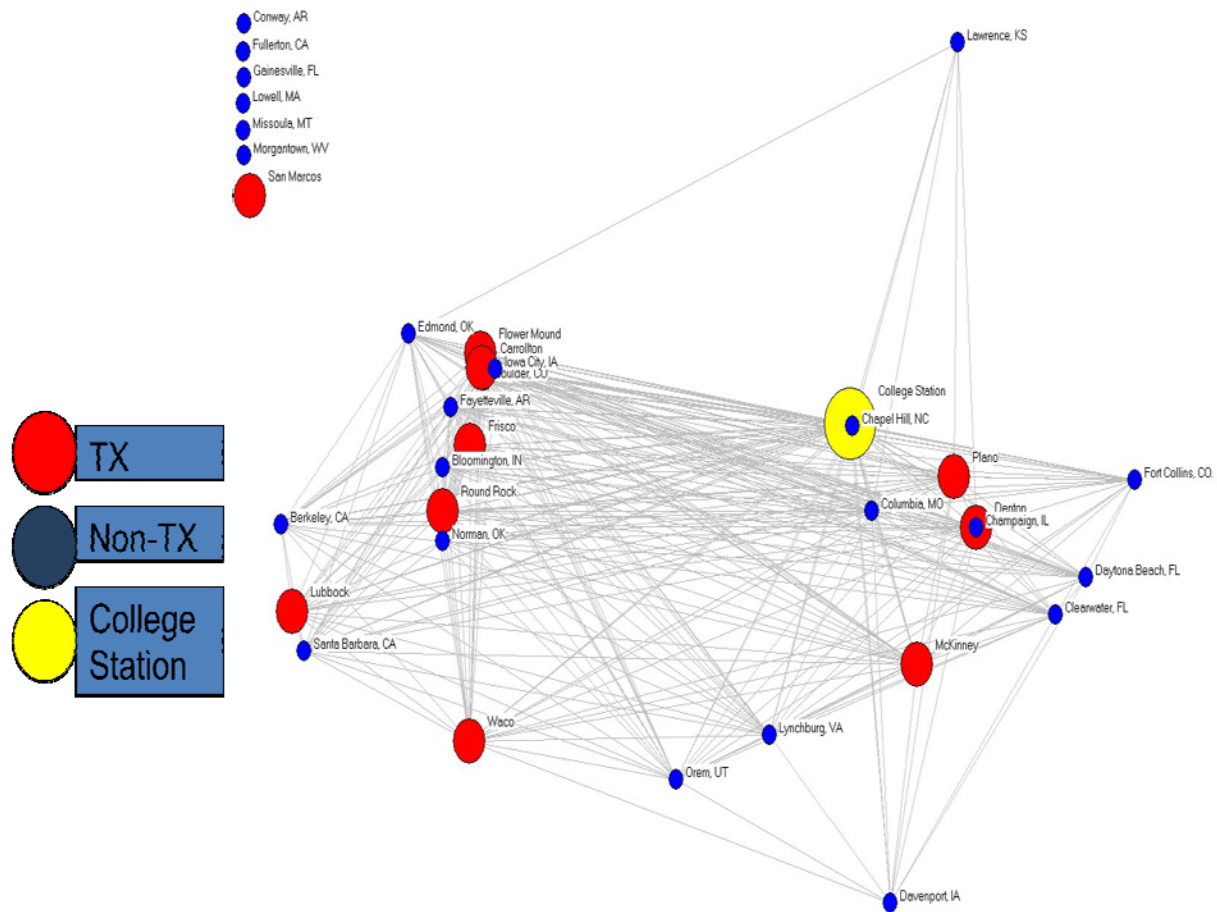


Total number of QAMs used by each city does not give us any information about the type of QAM criteria. In order to find out “more exact” similarity and closeness among cities, we need or examine all seven QAM criteria one-by-one. For instance, Champaign and Davenport equally share a total number of one QAM—Champaign has 1 for “Monitoring” and Davenport one for “Self Assessment.” Thus, we cannot say two cities are similar and close each other.

Furthermore, if we consider Columbia along with these two cities, the relationships become more complex. The total number of QAMs for Columbia is 2 measures (1 for penalty, and 1 for monitoring). In other words, Champaign and Columbia share “Monitoring.” Both of these cities perform “Monitoring” as QAM, but Davenport does not. As such, if we consider all relationships among 36 cities at the same time, we can gain a more accurate similarity and

closeness among them. The following graph displays the relationship of similar patterns of QAMs.

Figure 4: Multidimensional scaling of seven QAMs for Texas vs. non-Texas cities.



In the above figure, seven cities do not perform any quality assurance measurements and are listed in the left top corner. These cities are Conway (AR), Fullerton (CA), Gainesville (FL), Lowell (MA), Missoula (MT), Morgantown (WV), and San Marcos (TX). College Station overlaps with Chapel Hill (NC). Columbia (MO), Champaign (IL), Plano (TX), and Denton (TX) are located closely around College Station, indicative of displaying similar patterns of QAMs. Most Texas cities are located opposite of College Station, especially Lubbock (TX) and Waco (TX). Note that this analysis is based on multidimensional scaling (MDS). MDS is a set of

related statistical techniques often used in information visualization for exploring similarities or dissimilarities in data. MDS is a special case of ordination. A multidimensional analysis was used (using a Pajek software program) on each city's response to the use of the seven quality assurance measures.

Qualitative

According to the results of the qualitative questions of the city surveys, comparisons can be made among the varying municipal application processes that nonprofits go through in order to obtain city funding. Information about the types of local organizations nonprofits interact with during their application process was discovered in the first few questions of the city survey. In general, there are six types of local groups that nonprofits must interact with: the City Council, the City Manager, the City Commission, an application review committee, a public hearing, or an interviewing group. Table 9 displays all six types of local organizations across the top horizontal axis. The vertical axis consists of all 36 cities in the sample group according to: Texas cities with a population less than 100,000 people, Texas cities with a population larger than 100,000 people, non-Texas cities with a population less than 100,000 people, and non-Texas cities with a population larger than 100,000 people. Like the City of College Station almost every group of cities' nonprofits interact with the City Council during their application process. Where the groups differ from College Station occurs mostly with public hearings and interviews.

Table 9: Decision-makers for nonprofit funding

City	City Council	City Manager	City Commission	Committee	Public Hearing	Interview
College Station	1	0	0	1	0	0
Texas cities less than 100,000	3	0	0	4	1	1
Texas cities more than 100,000	4	0	0	1	0	1
Non-Texas cities less than 100,000	10	0	2	6	2	4
Non-Texas cities more than 100,000	2	1	0	4	0	1

The smaller Texas and non-Texas cities were more likely than the larger Texas and non-Texas cities to have committees review and make recommendations about the nonprofits' applications for funding. Furthermore, these smaller cities were also more likely than the larger cities to hold public hearings for citizens to interact in the nonprofits' application process. All of the groups, unlike College Station, involved some form of interviews in the nonprofits' application process.

The qualitative results from the first few questions of the city surveys also discovered four general sets of documents nonprofits submit during the application process: Requests for Proposals (RFP), applications for funding, financial reports (such as annual reports, budgets, or IRS 990 forms), and performance reports measuring nonprofits' success in program operations.

Again comparisons were made between the City of College Station, large and small Texas cities, and large and small non-Texas Cities.

Table 10: Documents required for nonprofit funding

City	RFP	Application	Financials	Performance Reports
College Station	1	1	1	1
Texas cities less than 100,000	0	4	0	1
Texas cities more than 100,000	1	3	2	1
Non-Texas cities less than 100,000	6	10	3	3
Non-Texas cities more than 100,000	3	2	0	0

The City of College Station differs from all of the other city groups in that they request all four documents RFPs, applications, financial documents, and performance results from their nonprofit applicants. Clear results are difficult to determine in comparing RFPs, but the Texas cities tend not to offer RFPs compared to non-Texas cities. These results are skewed in that the size of the city groups vary based on location (Texas versus non-Texas) and population division. Therefore, it is difficult to say definitively whether one group uses a document more than another. However, it is likely that applications are used more frequently than any of the

other documents. Ten of the smaller non-Texas cities used applications, which were determined to be the most frequent reported information in the study.

A few of the cities requested nonprofits submit financial documents as a component of the application process. The larger Texas cities and the smaller non-Texas cities tended to request financial information based on the general descriptions offered by the respondents. Similarly, only a few of the cities requested nonprofits' performance measures as part of the application process, though the results show that at least one city from each group, excluding large non-Texas cities, required performance reports.

The results of the study indicate how varied the municipal funding process is across the state of Texas and the rest of the nation. While there are some similarities across city groups, no claim based on the qualitative results can be made for whether larger or smaller cities use certain documents, have nonprofits interact with certain groups, or that there are unique distinctions among Texas and non-Texas cities. It should be stated that due to the emergent nature of this section of the overall study these qualitative results should be interpreted accordingly. Respondents were not directly asked about the interaction with City Council, committees, public hearings, etc., but were instead asked to describe their nonprofits' application process for municipal funding. These results are based on the general descriptions given by the respondents and are therefore highly dependent on subjective responses. It is possible that more interactions take place and more documents are requested that were not accounted for in the original descriptions offered by the interviewed subjects.

Nonprofit Evaluation

Introduction

The Outside Agency Funding Program of the City of College Station provides funds for local nonprofit agencies that serve the College Station community. The act of supporting such agencies affords the City the opportunity to substantially increase the amount of services provided to the citizenry as well as offer services outside the tradition reach of operations of the City. This report on the Outside Agency Funding Program is a direct result of the City's desire to ascertain whether there are any improvements or recommendations that could be considered when evaluating their nonprofit funding process. Specifically, as was mentioned in introduction, the Bush School was asked to determine (1) nonprofit agency staff and board perceptions of the funding process, (2) the outcome, or success of the services provided by through the Program, and (3) to provide recommendations as to how to improve the Program. After a literature review, researchers generated a set of questions and sought IRB approval to collect data from fourteen nonprofits to answer the three objectives stated above.

Researchers attempted to determine nonprofit agency staff and board perceptions of the program, the outcomes of the program, and any successes of service delivery as a direct result of the Program. The research was conducted specifically through site visits of fourteen nonprofits that were funded by the City of College Station during the latest fiscal year. These site-visits enabled the researchers to conduct a survey interview with each agency to attempt to assess components a logic model (i.e., Resources, Outputs, and Outcomes), best practices, evaluations, client satisfaction surveys, and qualitative components targeted towards improving the City's nonprofit funding process. The research was premised on a utilization-focused evaluation framework as opposed to the traditional hypothetical deductive perspective.

Literature Review

Attempts to assess performance in the nonprofit sector have been numerous and varied. However, no one attempt has become widely adopted or utilized over an extended period of time. There has been a number of evaluation systems put forward explicitly for use in the nonprofit sector. They can be categorized by: what they evaluate, how they evaluate, the type of evaluation, and implementation. There are four levels of evaluation being undertaken: 1) individual, 2) organizational sub-unit or function, 3) the organization, and 4) larger social systems. Individual evaluation focuses on the performance of individuals in their jobs (Cutt and Murray, 2000).

Each evaluation is conducted with quantitative methods (ex. numerical counts and questionnaire surveys) or qualitative methods (ex. interviews, observations and case studies). In addition, these two methods are linked to each other in a logic model known as “measurement logic models” (Cutt and Murry, 2000). Implementation of evaluation is made by the following order: 1) designing the evaluation system; 2) choosing the data collection method; 3) developing standards for assessing the data among absolute (no comparison with others) or relative standards (comparison with others); 4) and interpreting and using the results of the evaluation (Cutt and Murray, 2000).

Capacity Building

Lori Bartczak (2005), describes six approaches to organizational assessment, four for grantees and two for grant makers. The first approach, McKinsey Capacity Assessment Grid, is a self-assessment tool which helps nonprofits identify their capacity strengths and weaknesses, measure changes in capacity over time, and provides funders data to inform overall program planning. The grid uses a four-level rating scale with detailed descriptions.

Approach two, CapMap, is a developmental growth model which distinguishes progressive stages of competency. This tool makes the capacity building more informed,

targeted, and more effective. CapMap also evaluates the current capacity of an organization to determine a path for growth and to measure achievement.

Approach three, Unity Foundation C.Q. Capacity Quotient, is an online capacity assessment tool used to formulate a reliable assessment for capacity benchmarking and to build a database to foster higher performing nonprofits. C.Q. is board-driven rather than staff-driven, and is readiness-based rather than life-cycle based.

Approach four, Mary Reynolds Babcock Foundation Tool, helps each organization identify areas of work where additional assistance is needed in order to strengthen the organization. This tool requires an initial learning and evaluation plan before an official proposal. It is based on review of materials, interviews, and group discussion through a third-party intermediary.

Approach five, the Grantee Perception Report, is a detailed report of grantee perceptions of the various dimensions of foundation performance. This report is portrayed on a comparative basis to grantee perceptions of other foundations. The Grantee Perception Report is a third-party-administered report.

The sixth and final approach, the SMART GROWTH Model, is a life-stage model which helps member foundations establish a shared understanding of their organizations as a way of clarifying problems or challenges and planning for future growth and effectiveness. It is built on a basic matrix of six life stages and twelve functional capacities which describes a foundation's strengths and weakness and analyzes inhibitors and accelerators of effectiveness.

Traditional / Hypothetical-Deductive Knowledge Program Evaluation

Traditional evaluations are typically performed by academic faculty and often involve theories and hypothesis testing. The objective is to influence thinking about the program by increasing knowledge or clarity of a model and by reducing the uncertainty of a model. Academia often attempts to enhance communications about an idea, convey their perceptions, or rethink an idea as an attempt to enlighten others or contribute intellectually to a debate. As

such, they may synthesize a significant amount of ideas by examining a program or they may analyze comparatively to demonstrate similar patterns. More often than not, the end-state teaches creates eventual best practices.

Utilization Focused Evaluation

UFE is defined as, "evaluation done for and with specific intended primary users for specific, intended uses. UFE begins with the premise that evaluations should be judged by their utility and actual use; therefore, evaluators should facilitate the evaluation process and design any evaluation with careful consideration for how everything that is done, from beginning to end, will affect use. UFE concerns how real people in the real world apply evaluation findings and experience the evaluation process. Therefore, the focus in UFE is on intended use by intended users" (Patton 2008, 37).

UFE is a revolutionary method to approach program evaluation. Rather than focusing solely on inputs and outputs, UFE takes a holistic approach to research and incorporates program processes, stakeholders from all perspectives, and unanticipated consequences. It is a method that can be customized to fit each situation, thus allowing the primary intended users the ability to select the most appropriate content, model, methods, theory, and uses for their particular objective. Ultimately, UFE provides a philosophy and practical framework for designing and constructing evaluation that is focused, approachable, and attainable. UFE contains five steps as follows:

- First, identify the key actors.
- Second, obtain commitment from the agency to utilize an outcome based approach and to agree on the intended use of the evaluation.
- Third, conceptualize the outcomes, design the data collection and implement data collection.

- Finally, determine management use and report formatting along with analyzing the results to compare them to the baseline and make decisions based on results.

Additionally UFE provides an organization with key questions in the evaluation process:

- What decisions can the evaluation influence?
- How much influence can the evaluation have on decision makers?
- To what extent has the program outcome already been determined?
- What data is needed to make the decision?
- How will the evaluators know the evaluation has been used as intended?

Comparing Hypothetical-Deductive and Summative to Utilization Focused

As indicated previously, there are a number of differences between traditional methods and UFE. UFE provides a flexible framework for which any agency, private or public, can evaluate effectiveness. The main overarching purpose of UFE is to provide a holistic approach to evaluation that will facilitate future use and further attributions to the process.

To provide a framework in which to discuss UFE, Bush School researchers reviewed the basic approaches and paradigms of traditional evaluation. Essentially, these models involved the Inductive vs. Deductive approach and the Quantitative vs. Qualitative approach. Inductive evaluation primarily focuses on field observations to generate a grounded theory, while deductive approaches focus mainly on literature review and extractions of theories from scholarly research. The quantitative paradigm is primarily numbers driven and focuses on hard data such as statistics, charts, and formulas. The qualitative paradigm is less rigid and considers data in complex, dynamic, unpredictable and nuanced formats.

Fortunately, UFE is neither tied to nor divorced from any of these methods. UFE has the capacity to incorporate the best aspects of each method and tailor those methods for the particular evaluation being researched. In fact, UFE can incorporate many types of evaluation perspectives that are both purpose based and process based. These evaluations include:

judgment-oriented evaluation, improvement oriented evaluation, knowledge-oriented evaluation, formative evaluation, summative evaluation, developmental evaluation, process evaluation, intervention evaluation, and empowerment evaluation. Although several methods are mentioned, the main point is that by using UFE a researcher can focus on the utility that the research will provide to the client. The evaluations mentioned above are only a sample of the possible tools to deliver the required data. The traditional hypothetical-deductive method (which attempts to understand what, why, and how) will not be used due to the scope of the study, nor did the statement of work submitted by the client request such information.

UFEs can be customized to fit each situation, thus allowing the primary intended user to select the most appropriate content, model, methods, theory, and uses for the particular objective. These qualities make the UFE approach uniquely fitted to accommodate the research required by the City of College Station. The literature review also supports the use of this method in accomplishing the statement of work as laid out by the City.

A combination of the traditional hypothetical deductive method, utilization focused method, and capacity building was utilized. The Capstone team determined common practices among similar cities via traditional, deductive research. Specifically, the Capstone team used the Hypothetical Deductive method to spell out the components of the logic model. This indicates the theory behind each agency. The theory says – if a certain amount staff is used- e.g., two times a week, on X activity, it will yield Y result. The number of staff, the activities conducted, and the results vary between each nonprofit agency. The Capstone team collected data on the performance of the organization to determine the outcome of the distributed funds. After analyzing the data, recommendations on how to improve the funding policy and the funding process of the City will be presented. Finally, the Capstone team provided the completed Logic Model to increase the City's capacity to evaluate its nonprofit funding program, and to increase each of the agencies capacity to evaluate their organization and programs. The

following section outlines specifics and steps taken to develop an effective foundation for presented recommendations.

Methodology

Researchers

Seven Bush School graduate students were involved in the study under the supervisory direction of a Bush School professor. These students were all enrolled in the Bush School capstone. This class met formally once a week on a Friday and informally on multiple occasions throughout the fall and spring semesters of the 2009 academic year.

Procedure

Phase One: Identifying Contracted Nonprofit Agencies

The fourteen agencies funded by the City of College Station in fiscal year 2008 (October 2007 – September 2008) were:

- Research Valley Partnership
- Arts Council of Brazos Valley
- Children's Museum of Brazos Valley
- College Station Noon Lions Club
- BCS Sister Cities
- BCS Convention and Visitors Bureau
- George Bush Presidential Library Foundation
- Keep Brazos Beautiful
- Big Brothers Big Sisters
- Brazos Valley Rehab Center
- Brazos Maternal & Child Health Clinic
- Sexual Assault Resource Center
- Scotty's House
- Twin City Mission

Phase Two: Selection of the Logic Model

The logic model utilized for the study was designed after researching Kellogg's *Logic Model Development Guide* (W.K. Kellogg Foundation Logic Model Development Guide 2004, 17). W.K. Kellogg Foundation's focus on program evaluation is seen in their mission "to help people help themselves through the practical application of knowledge and resources to

improve their quality of life and that of future generations” (2004, 3). The Kellogg Guide describes a logic model as a “systematic and visual way to present and share your understanding of the relationships among the resources you have to operate your program, the activities you plan, and the changes or results you hope to achieve” (2004, 1).

Phase Three: Selection of the Dependent Variable Responses

Based on Kellogg’s guidance, our logic model has a section for:

- resources,
- activities,
- outputs,
- outcomes

According to W.K. Kellogg Foundation Logic Model Development Guide, resources are those inputs that allow the nonprofit to accomplish their set of activities (2004, 17). Our original survey asked for only the personnel resources of the nonprofit agency. However, follow up questions were used to determine other nonprofit resources. Activities are those actions performed by the nonprofit in order to address their problem or asset (2004, 17). Outputs are the nonprofit’s “evidence of service delivery” during or after the completion of the nonprofit’s activities (2004, 17). Outcomes are those changes in 1-3 years and 4-6 years that are expected to occur if the nonprofit completes or continues their activities (2004, 17).

Two additional columns are included in the logic model. These two columns address the name of the nonprofit surveyed and the date that the nonprofit was incorporated. These two columns provide descriptive information about the nonprofits surveyed and are an addition to the Kellogg logic model. The date of incorporation provides insight into the age of the nonprofits surveyed. After the logic model was completed, an analysis of the logic model was performed to determine (1) whether the City had contracted with new or experienced agencies, (2) what

types of resources are involved in the nonprofit, (3) the variety of activities, (4) agency outputs or deliverables, and (5) agency outcomes or services provided by agency.

Phase Four: Development of Other Data Collection Questions

In addition to the logic model, the capstone team asked each nonprofit agency questions that helped determine if the nonprofits (1) incorporate best practice models, (2) whether or not the agency utilizes program evaluation and finally, (3) if the agency distributes a citizen satisfaction survey. Also, the capstone team asked open-ended questions to determine the nonprofit perceptions of the City's nonprofit funding process. The logic model results and the results of the other questions asked in the survey helped the capstone team determine recommendations to give to the City of College Station.

Phase Five: Interviewing Agency Staff and Reviewing Agency Documents

First the capstone team sought Texas A&M Institutional Review Board (IRB) approval to interview the fourteen nonprofits. Second, each capstone student was assigned two of the fourteen agencies. The agency assignment was made randomly. Third, the capstone team conducted site visit interviews using IRB approved surveys to collect data. While at the interviews, each student took hand written notes and collected nonprofit pamphlets that were available. Fourth, after the interviews, the capstone team members transcribed their hand written notes to a computer format that was saved on the Bush School network drive. The hand written notes were given to the supervisor for safe keeping or destroyed. Fifth, as logic model components were collected the capstone team inserted the data into the pre-formed logic model Excel spreadsheet. The best practices, program evaluation, and citizen survey responses gathered from the interviews were inserted into the spreadsheet. The open-ended responses of the survey, indicating nonprofit perceptions of the City's nonprofit funding process, were analyzed using qualitative methods to provide nonprofit perceptions and recommendations.

Results

This section, nonprofit evaluation, corresponds with the fourth and fifth bullets of the City's statement of work: determine nonprofit agency staff and board perceptions of the funding process and to determine the outcome, or success, of the services provided by through the Program. The sixth bullet point of the City's statement of work corresponds with both the benchmarking and nonprofit evaluation approaches.

Nonprofit Agency Staff Perceptions

The nonprofits were asked to provide key board members and staff at the nonprofit interviews, but typically the only nonprofit representative to be present at the interview was the Executive Director or other relevant nonprofit staff member. The results are determined from the following survey questions:

1. Tell me what you think about the city's nonprofit funding process, contract document, process of applying, and awards amounts?
 - a. When did you start receiving funding from the city?
 - b. Tell us about the funding among applicants?
 - c. Tell us about the communication with you after funding contracts have been awarded?
 - d. Tell us about your interaction with the City during the time you receive funding?
 - e. Tell us about the overall impact of the City of College Station on your organization?
2. What improvements would you suggest in the City of College Station's funding process of funding allocation?
3. Is there anything else you would like to add?

The nonprofits' responses were categorized into similar groupings to provide results of the nonprofits' perceptions of the City's nonprofit funding process.

Three categories of responses emerged from the interviews: positives which consisted of responses that praise or show a preference for parts of the City's funding process; negatives which consisted of dissatisfaction or complaints about the City's funding process; and suggestions which consisted of offering advice or recommendations to improve the City's funding process.

Positive Comments from Nonprofit Agencies

Almost two thirds of the nonprofits had positive perceptions about the City's funding process. Specifically, two nonprofits state that the City was readily available to answer the nonprofits' questions and two nonprofits stated the City promptly answers the nonprofits' questions. The other four comments pertain to the nonprofits' general satisfaction with the City's communication. .

Negative Comments from Nonprofit Agencies

Of the fourteen nonprofits surveyed, seven provided negative responses about the funding process. Of those seven comments, five stated that the funding application process was burdensome because of largess and/or complexity. Two agencies indicated that the application process is difficult because of the inconsistencies funding from year to year.

Nonprofit Agency Suggestions

Approximately a third of the nonprofits offered suggestions for improving the City's funding process. The other comments were of two types: those who wanted the City to simplify their funding process and those who wanted additions to the funding process. Two suggested streamlining the application process. For example, one nonprofit suggested the City make a smaller application for those nonprofits seeking funding for events only. One agency suggested a change in the reporting requirements and another suggested the City set aside funding to incentivize new nonprofits to break into the City's nonprofit funding pool.

Logic Model Data

Kellogg's Logic model template with its four components: resources, outputs, outcomes, and impacts was used to evaluate the 14 nonprofit agencies.

Funding Inputs

Funding is one input or resource that nonprofit agencies generate in order to perform their activities, produce outputs, and eventually lead to outcomes of their services. Table 11 outlines the City funding received by the fourteen nonprofit agencies which ranges between \$5,000 to approximately \$1.1 million. Non-CDBG funded agencies received a approximately \$2 million from the City of College Station for their services. CDBG funded agencies received a total of approximately \$150,000 from the City. All fourteen agencies together received funding approximating \$2.2 million. If one obtains the total amount of agency funding, and divides that amount by the amount provided by the City, then one arrives at the percent of agency funding contributed by the city. Though the total amounts were investigated, these amounts are not reported below due to time constraints.

Table 11: Funding Inputs of the Nonprofit Agencies

Agencies Funded By The City of College Station	Funding Provided by the City of CS
Research Valley Partnership	350,000
Arts Council of Brazos Valley	440,000
Children's Museum of Brazos Valley	29,500
College Station Noon Lions Club	10,000
BCS Sister Cities	5,000
BCS Convention and Visitors Bureau	1,060,000
George Bush Presidential Library Foundation	100,000
Keep Brazos Beautiful	60,240
Big Brothers Big Sisters	24,744
Brazos Valley Rehab Center	25,000
Brazos Maternal & Child Health Clinic	23,573
Sexual Assault Resource Center	21,600
Scotty's House	17,224
Twin City Mission	38,105
Total	\$2,204,986

Staffing Inputs

The number of full-time employees, part-time employees, and volunteers is also an 'input' in the logic model. The average number of full-time employees for each agency was approximately ten employees per agency although the George Bush Library and Twin City Mission employ more full time employees than the other twelve agencies combined. This causes a skewed mea but with a median of four and a range that varies from 0 to 42 a more accurate picture of the staffing needs of the Outside Funding Agencies can be drawn. Part-time employees of the agencies yield a mean of 7.6 employees per agency, median of 2 employees, and a range that varies from zero to 62.

Table 12 indicates the *total* amount of agency staffing (inputs); not the amount contributed by the City's nonprofit funding program. However a *rough estimate* of the amount

contributed by the City can be calculated for each agency by calculating the percent of funding contributed by the city and then calculating the corresponding percent of staffing.

Table 12: Staffing Inputs of the Nonprofit Agencies

AGENCIES RECEIVING FUNDING FROM COCS	FULL TIME	PART TIME	VOLUNTEERS
Research Valley Partnership	NA	NA	NA
Arts Council of Brazos Valley	3	3	20
Children's Museum of Brazos Valley	4	12	25
College Station Noon Lions Club	0	0	ALL
BCS Sister Cities	0	0	ALL
BCS Convention and Visitors Bureau	9	4	NA
George Bush Presidential Library Foundation	33	62	180
Keep Brazos Beautiful	2	0	NA
Big Brothers Big Sisters	3	1	NA
Brazos Valley Rehab Center	13	2	NA
Brazos Maternal & Child Health Clinic	10	0	NA
Sexual Assault Resource Center	4	1	NA
Scotty's House	6	2	NA
Twin City Mission	42	12	NA
MEAN	9.9230769	7.615384615	75
MEDIAN	4	2	25
MODE	3	0	#N/A
STANDARD DEVIATION	12.951586	16.86484737	90.96702699
MIN	0	0	20
MAX	42	62	180

Service Outputs

Outputs are activities or service provided by agencies and Table 13 provides a representation of the *total* amount of agency outputs; not the amount contributed by the City's nonprofit funding program. However a *rough estimate* of this amount can be calculated for each agency by calculating the percent of funding contributed by the City and then calculating the corresponding percent of the total service outputs.

When this type of calculation is performed, a clearer picture of the extent of influence the City's funding has on these agencies can be drawn. Moreover, an analysis of the inputs, outputs and outcomes offers a method by which the City can make funding decisions. While there is

great variety among the reported outcomes of the fourteen agencies each entry offers information that enables an analysis to describe the effect and success of the funding.

Table 13: Outputs of the Nonprofit Agencies

Agencies Funded By The City of College Station	Nonprofit Agency Outputs
Research Valley Partnership	Brought in 5 businesses to Brazos Valley
Arts Council of Brazos Valley	Service 58 affiliate programs, 1.2 million program participants
Children's Museum of Brazos Valley	750 children each week. Plus extra for outreach.
College Station Noon Lions Club	100 Participants Per Week
BCS Sister Cities	12 students and teachers are exchanged every year.
BCS Convention and Visitors Bureau	255 leads, 89,850 room nights, (annually)
George Bush Presidential Library Foundation	2,800 guests per week
Keep Brazos Beautiful	More than 100 per week on average
Big Brothers Big Sisters	Provided services to 190 children in 2007 and 239 in 2008.
Brazos Valley Rehab Center	140 visits per week. 12 patients per week
Brazos Maternal & Child Health Clinic	9000-95000 patients per year and approximately 250+ on a weekly basis
Sexual Assault Resource Center	It varies. The presentation services can be anywhere from zero participants to 1200 elementary kids in a week. However it is rare to not get asked to do a presentation. Counseling provides between five to ten clients each week. The hotline receives about 70 calls a month.
Scotty's House	360 to 400 child victim and 1200 secondary victims
Twin City Mission	To help homeless people get out of situation they are in and to increase their ability to find work, increase education, etc.

*Agencies shaded above are CDBG funded agencies

*Agencies in green cover 40% or more of their total expenses through City funding

Additional Survey Questions

The survey attempted to determine whether nonprofits staff: used a best practice model (i.e., imitated successful programs); used an internal program evaluator or employed a third party to evaluate their programs; or whether engaged in a citizen satisfaction survey.

The answer to whether nonprofits used best practice models varied on how they interpreted what a best practice model was. A couple of agencies followed models used by their larger branch offices and other agencies imitated similar programs in other cities. And though most used some method to try to improve already existing services, three reported they do not use a best practice model and one reported using an outside agency as a consultant.

All of the nonprofits used some form of evaluation internal or external evaluation to improve their services with the exception of one who reported that they were currently developing evaluation measures.

Seven of the nonprofits responses indicated they used a client satisfaction survey. The others did not engage in such a surveys on their clients or were uncertain of the purpose of such a survey.

Results Summary

The City of College Station College Station used more of its budget on nonprofits and more of its CDBG funds on nonprofits. Further it uses more quality assurance measures than the majority of cities in the sample. The City communicates well with the nonprofit agencies who receive funding; most complaints were about the onerous six week long application process; most suggestions were about simplifying the application process. Additionally, the Outside Agency Funding Program: supports some agencies as if they were a City department; assists in funding a mixture of full time, part time, and volunteer nonprofit agency staff; funds a variety of arts & culture, economic development and social services nonprofit agencies.

Recommendations

The might consider one or more of the following suggestions i.e., the City could:

- Benchmark (or compare) one or more incentive or budget performance measures e.g., the City should compare total nonprofit funding, total CDBG funding, and number of nonprofit agencies to selected cities more regularly;
- Benchmark (or compare) one or more quality assurance performance measures to selected other cities;
- Utilize a logic model similar to Table 14 to assist with the selection of nonprofits as it reflects the *'rationale'* behind the choices and makes the options more transparent;
- Use a logic model similar to Table 14 to report the outcome of the selected nonprofits to the City Council and the public;

Table 14: Recommended Logic Model

Nonprofits	Incorporation Date	Resources	Activities	Outputs	Outcomes	Impact

- Annually evaluate each of the nonprofits utilizing the Logic Model template in Table 14;
- Lessen the size of the application document and simplifying the application process;
- Survey each of the nonprofits to determine the pros and cons of the funding process.

- Require funded nonprofits to use best practices service methodologies.

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