

MEMORANDUM

To: U.S. Programs Board
From: Ann Beeson, Mimi Corcoran and Eric Ferrero
Re: Follow-up information on Special Fund for Poverty Alleviation
Date: September 9, 2010

As discussed at the May Board meeting, the U.S. Programs budget has been set at \$320 million over two years and all programs, including the Special Fund for Poverty Alleviation (SFPA), must be funded within these budget parameters. It is at the Board's discretion to allocate funding across programs, based on U.S. Programs' priorities. To accommodate this mandate, the Board decided that SFPA's budget should be reduced significantly. Accordingly, the budget has been adjusted from a total of \$250 million to approximately \$191 million over four years, ending in 2012. The Board recognized the significance of this adjustment and felt strongly that OSI should honor firm commitments and evaluate grants in the SFPA pipeline to minimize reputational costs and maximize program impact.

While moving forward to develop the 2011-2012 U.S. Programs budget (which you will receive in early September) based on the Board's guidance, we also committed to gather more detailed information about the impact of adjusting SFPA's budget. Below is a short overview, followed by a detailed breakdown, of the impact of reducing SFPA's budget over the next two years.

Overview

SFPA is reducing its budget for 2011 and 2012 to nearly \$40 million (down from approximately \$100 million for the two years), which would bring SFPA's four-year total to approximately \$191 million. The spending in 2009 was nearly \$68 million with investments focused on humanitarian aid; 2010 spending is estimated at \$82.66 million.

We believe the adjustment to SFPA's grantmaking budget can be accomplished without pulling back on any contractual obligations and without renegeing on any verbal commitments for specific amounts of money to current or prospective grantees. There are, however, some grantees that will be disappointed to receive less funding (or, in some instances, no funding) because they have been engaged in conversations with SFPA for some time and, in some cases, were invited to submit proposals. Although those conversations did not include specific commitments, some grantees or potential grantees likely have an expectation that they will be funded at levels that will not materialize. Fortunately, SFPA has been assessing these grants for the last couple of months and has identified some ways to mitigate reputational harm (by using unallocated SFPA funds to

partially fund some projects, for example). All of this is described in fuller detail in the chart below.

In its short life, SFPA has been nimble and opportunistic and has ably responded to internal OSI shifts in vision and agenda, while at the same time leveraging significant public and private funds to achieve national recognition and respect for SFPA's impact on the fields of its core priorities: benefits access, education, and workforce development. The most significant consequence of reducing SFPA's grantmaking budget – aside from the obvious reality that it may limit the impact of the fund's overall goals – stems from SFPA's relatively unique strategy.

Based on its budget and mission, SFPA aimed to conduct “wholesale” grantmaking – leveraging significant amounts of money for impact relatively quickly. A centerpiece of SFPA's approach has been to leverage support from government agencies – federal, state, and local – intermediaries and funders, to invest in programs that could be scaled and sustained over time. SFPA has focused, in particular, on leveraging federal funds. While we are not pulling back from any specific commitments made to federal government agencies, 2011 and 2012 may be complicated as SFPA brings less money to the table, potentially reducing its planned impact through these federal demonstrations.

With the budget reductions, SFPA's state and city strategy – to demonstrate from a community's perspective solutions to structural barriers – has essentially been eliminated, with a few exceptions, namely Michigan, and Baltimore. The use of intermediaries for leverage will continue with minimal disruption. If SFPA's budget had always been \$191 million over four years, the staff may have focused on fewer broad goals or approached its leveraging relationships differently. Nonetheless, SFPA's staff has developed short-term and longer-term plans to have a substantial impact with fewer resources.

Impact on Individual Grants

SFPA's grantmaking has continued since the last Board meeting. At the end of June, an SFPA docket for \$17.775 million was approved. All grants were matched at least on a 1:1 basis, leveraging both private and public funds.

Other grants that are renewals or are firmly in the pipeline will go forward. At present, grants totaling \$31.675 million (which does not include \$25 million to Robin Hood) are in the 2010 pipeline.

All of these are included in the attached list, “SFPA Grants 2009-2012,” which has data and summaries of all of SFPA's existing grants and pipeline grants.

There are a few grants that SFPA was planning to make in 2011 and 2012 but will need to limit or cut in order to reduce the overall SFPA budget. The chart below provides information on the grants SFPA believes had some level of expectation for funding that will not fully materialize now that the budget has been reduced. SFPA's staff has worked

to identify these grants and develop a plan for reducing or cutting them without reputational harm to OSI.

SFPA staff has been in discussion with the grantees included in the chart below and are confident that we have developed an understanding with our grantees regarding our shift in budget strategy. It is part of the normal grantmaking process for a funder to have multiple discussions with a current or prospective grantee and ultimately not make the grant or make a grant that falls below the grantee’s initial expectations. SFPA staff’s decisions about the grants listed below will also leave SFPA with unallocated funds for grantmaking in its key priorities in 2011 and 2012 (SFPA has more than \$10 million in unallocated funds in 2011 and \$1.6 million in 2012).

Please do not hesitate to let us know if you need additional information or have any questions.

Grantee or Project	Funding envisioned before cuts	Plan under reduced budget	Level of grantee’s expectation	Key areas of concern
The Social Innovation Fund*	\$10 million per year for the next two years	\$3 million per year for the next two years	No specific funding commitment was made for the next two years, although given SFPA’s leadership support of the SIF there may have been an implicit expectation of outyear funding at a similar level.	Less funding will make it less likely for the program to achieve maximum impact.
Choice Neighborhoods/ Community Builders* (Program that uses Community Builders as an intermediary and uses housing as a lever for comprehensive benefits.)	\$5 million (over two years)	\$3 million (one-time)	HUD had talked about a \$30 million investment which was never a realistic request. Discussions continue to identify leverage opportunities within a \$3 million framework.	The smaller one-time amount may be less meaningful, given the scope of this program.

<p>Office of Vocational and Adult Education* (Seed funding as a catalyst for setting up vocational education innovation grants.)</p>	<p>Second-year funding of \$3 million in 2011 (funding pending in 2010).</p>	<p>No additional funding.</p>	<p>OVAE has not been told it would receive a specific amount for a second year, but likely deduced it would receive some funding because SFPA referred in meetings to multi-year grants</p>	<p>We may be exiting too quickly without giving the program a chance to take off and become a model in an area of education (vocational) that's often overlooked.</p>
<p>National League of Cities</p>	<p>\$5 million for 2011</p>	<p>No funding</p>	<p>SFPA discussed the development of an RFP to cities on workforce and education with the grantee. No specific funding levels were promised.</p>	<p>SFPA would explain that our city strategy has been eliminated.</p>
<p>Louisiana Disaster Relief Foundation** (Program on access to emergency benefits.)</p>	<p>\$2 million over two years.</p>	<p>No funding.</p>	<p>Grantee initially asked for \$7.8 million over three years. SFPA has had conversations with them, and they applied on a fast-track. These conversations may have created some expectation of funding, but they were never told they would be funded.</p>	<p>SFPA would explain that we're going to focus on other areas for access to benefits. But if federal emergency funds are reauthorized, then this would be a missed opportunity (to set an example of how this can be done right, especially in a state with a Republican high-profile governor).</p>
<p>Arrears forgiveness demonstration (various states)</p>	<p>\$2.5 million in 2011.</p>	<p>No funding (CBMA may be able to pick it up).</p>	<p>Grantee managing this project initially requested \$18 million, which was not realistic. SFPA worked with CBMA and grantee to develop a program that leveraged the TANF- ECF funding for arrears forgiveness on a manageable scale.</p>	<p>If the federal emergency funds are reauthorized, this is a missed opportunity to change the way state's address child support, particularly for formerly incarcerated males.</p>

<p>Planned Parenthood** (Pilot program to use Planned Parenthood clinics as access points for benefits for low-income women.)</p>	<p>\$4.4 million over two years.</p>	<p>Limited funding for just one state (from SFPA's Michigan benefit access funds)</p>	<p>Grantee initially asked for \$40 million. There have been extensive conversations with key Planned Parenthood leaders. The new strategy integrates PP into the Michigan benefits access project on a limited scale. PP will be disappointed.</p>	<p>SFPA has met with Cecille Richards. It would be a missed opportunity to broaden benefits to low-income women and their families through community-based health clinics.</p>
<p>Council for Adult and Experiential Learning** (Program to help assess industry-based apprenticeships; CAEL is unique because it looks at labor-force credentials, not just credentials from the education-sector perspective.)</p>	<p>\$1.5 million</p>	<p>No funding</p>	<p>CAEL was never told that it was getting a grant.</p>	<p>This is a program SFPA feels very comfortable cutting. SFPA has met with CAEL, and would simply tell them that the grant was not approved.</p>

* These organizations have the highest level of expectation of funding

** These organizations applied for grants in response to our invitation (or, less formally, we initiated conversations with these organizations about funding).