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THE NEIGHBORHOOD BALANCE SHEET

A Working Paper for Discussion

by Frederick W. Smith and Gina Graham

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Final responsibility for any deficiencies in the figures or interpretation is entirely ours. Comments, corrections, and suggestions are always welcomed.

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EXECUTIVE SUMMARY

- The number of Twin Cities neighborhood organizations increased 8 percent from 108 organizations in 1990 to 117 in 1991.
- These organizations raised \$8,384,376 for operating expenses in fiscal year 1991; this is a 16 percent increase over the total in 1990.
- Government funds accounted for over one-half of total funds raised, foundations for more than one-quarter, all other sources accounted for 15 percent of the total.
- For the same period, 1991, expenses of these 117 organizations totaled \$7,944,327; this is an increase of 12 percent over the 1990 total.
- Between the beginning of 1990 and the end of 1991, the average St. Paul organization budget grew 26 percent from \$97,872 to \$122,902. During the same period the average Minneapolis target area organization grew by 8 percent from an annual operating budget of \$86,216 to \$93,325.
- As in 1990, housing and economic development accounted for one-third of total expenses and direct services (employment, recreation, prevention programs) accounted for one-quarter; different from 1990, neighborhood organizing (membership recruitment, issue development, leadership training) accounted for less than one-fifth of total expenses while administration and fundraising costs were over one-fifth at 23 percent.
- Minneapolis non-target area groups expect their expenses for fiscal year 1993 to increase 66 percent over their 1991 level; for target area groups the anticipated increase is 26 percent; in St. Paul, the anticipated increase for the same period is 17 percent. The overall total is \$9,687,307.
- Government funding sources for neighborhood organizations (as well as other nonprofits) increased sharply from \$5.8 million in 1990 to \$6.8 million in 1991 but decreased again to \$6.1 million by 1993.
- Foundation funding for neighborhood organizations, as reported by respondents, increased by 24 percent from \$1.9 million in 1990 to \$2.4 million in 1991.

INTRODUCTION

In 1991, the PRO Neighborhoods Program of the Minneapolis Foundation and the Center for Urban and Regional Affairs (CURA) of the University of Minnesota, surveyed neighborhood organizations in both Minneapolis and St. Paul. Prompted by concerns over the lack of information and the adequacy of available funds, the purpose of the survey was to gather total income and expense figures for these organizations for 1990. This was the first survey of its kind. "The Neighborhood Balance Sheet: A Working Paper for Discussion" reported the results.

CURA distributed the same survey last year to gather similar information from neighborhood organizations about their income and expenses in 1991. Though there are problems (see Appendix B for a discussion of the methodology and its limitations), some figures from the two surveys can be compared. The following presents the results for 1991 and makes some comparisons to the 1990 numbers.

THE SURVEY

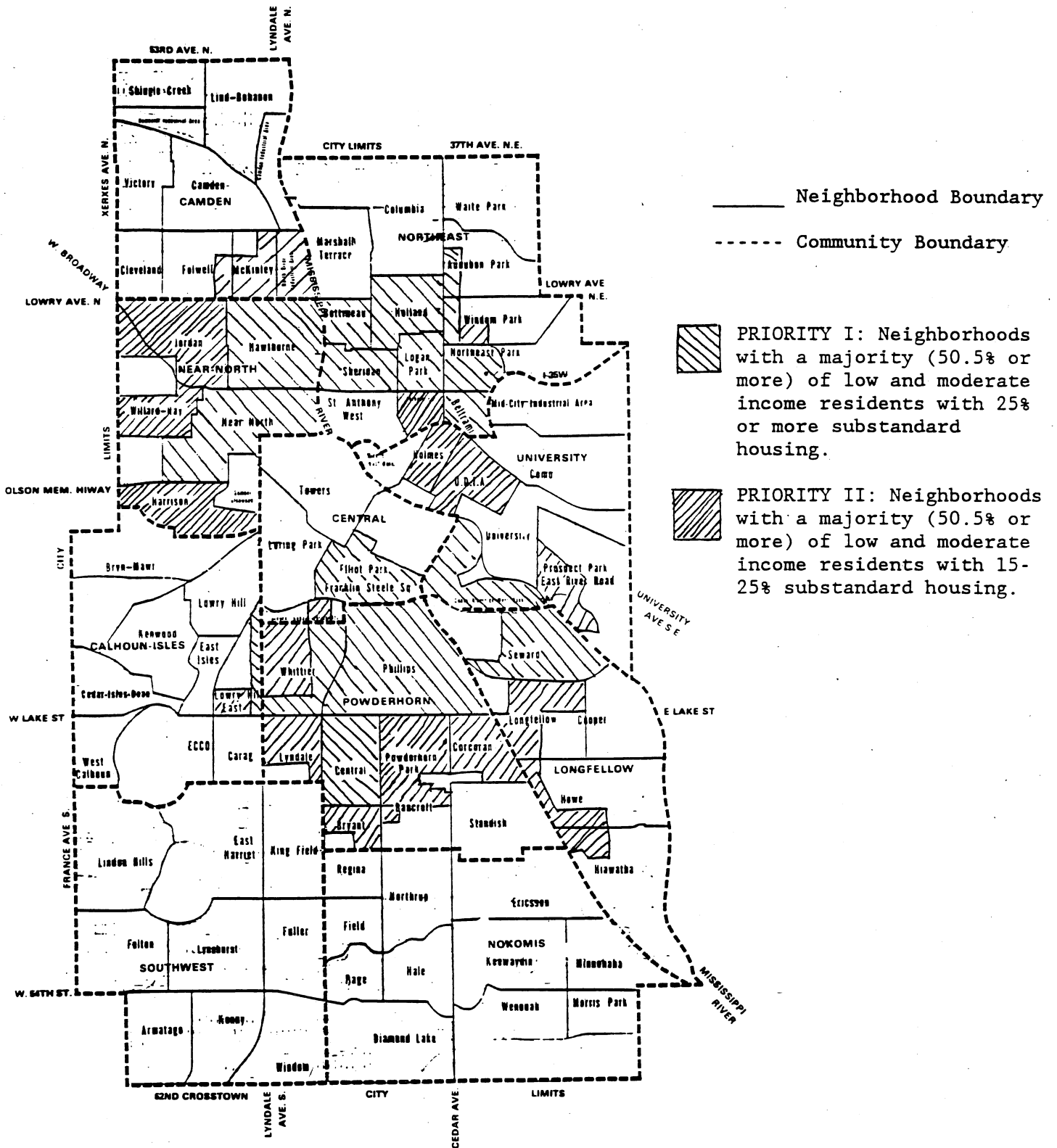
A list was compiled of 117 neighborhood organizations in Minneapolis and St. Paul. The organizations were divided into three categories. First were organizations from non-target areas of Minneapolis (see Map 1 for these areas). There were forty-one of these organizations (a significant increase over the thirty-one in the 1990 survey). Almost all of these organizations are completely volunteer and operate without paid staff. If the organization has a budget, it is almost always less than \$10,000.

The second category is organizations from Minneapolis target area neighborhoods (again, see Map 1). Most of these organizations have at least one full-time paid staff; many have multiple staff. Their annual operating budgets range from \$30,000 to \$500,000. There were forty-one of these organizations in this survey (compared to forty-three in the last survey).

The third category is St. Paul organizations. Many of these are district councils (as shown in Map 2), but there are other neighborhood organizations as well. In the number of staff and the size of their budgets, these organizations are comparable (though larger on average) to Minneapolis target area organizations. There were thirty-five of these (up from thirty-four in the last survey).

The survey was mailed to either the lead staff person or the president of each of the 117 neighborhood organizations. The survey requested income and expense figures in several categories for "fiscal year 1991." (See Appendix A for a copy of the survey and Appendix B for more explanation of the time period covered by the figures.) Seventy organizations responded to the survey. The response rate was 60 percent.

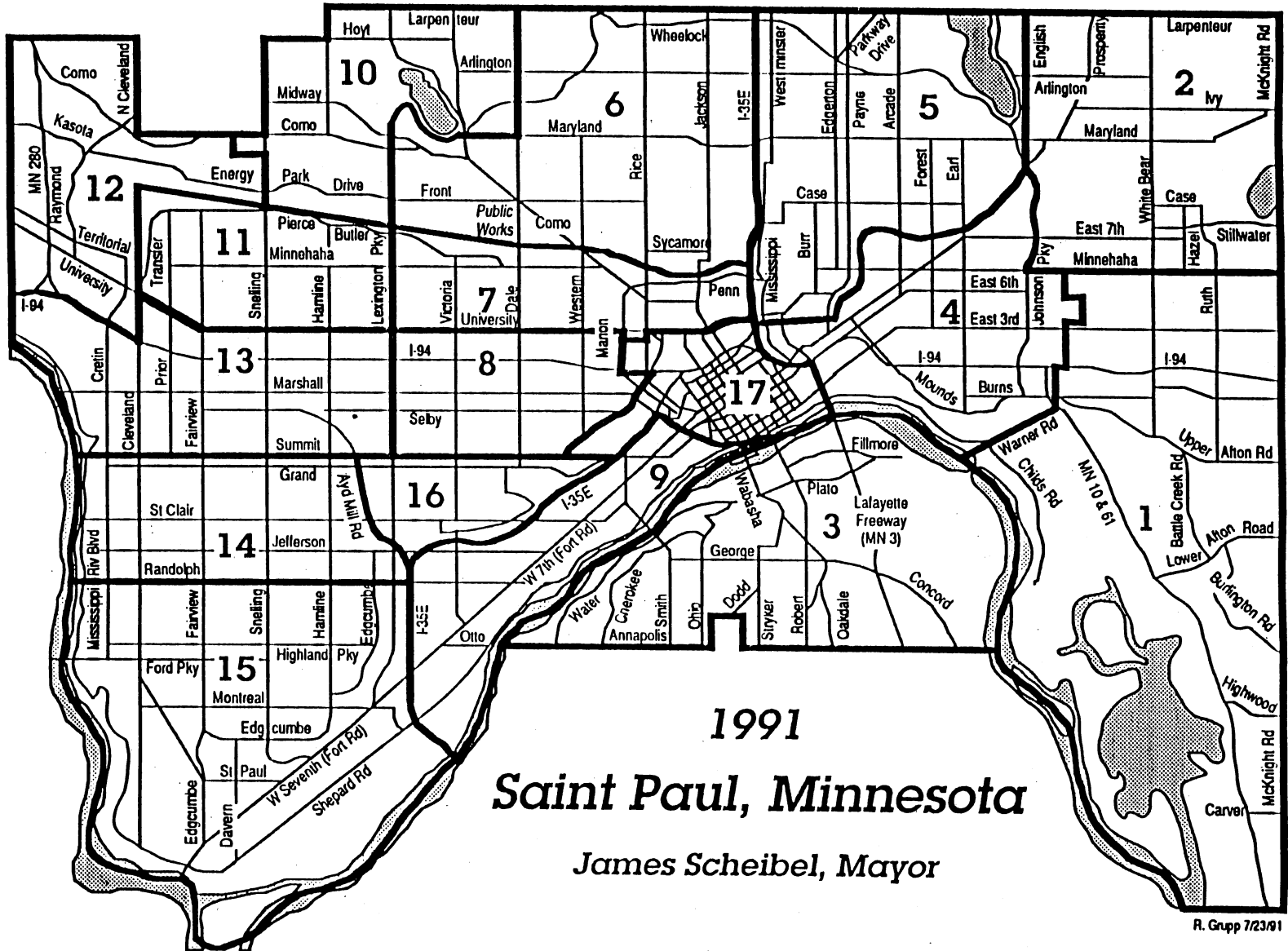
MAP 1
 Minneapolis Target Area Map:
 Priority Neighborhoods



Source: Minneapolis Community Development Agency, July 1984.

CITIZEN PARTICIPATION PLANNING DISTRICTS

- 1 Battle Creek
292-7828
- 2 Greater East Side
731-6842
- 3 West Side
293-1708
- 4 Dayton's Bluff
772-2075
- 5 Payne-Phalen
774-5234
- 6 North End
488-4485
- 7 Thomas-Dale
298-5068
- 8 Summit-University
228-1855
- 9 West Seventh
298-5599
- 10 Como
644-3889
- 11 Hamline-Midway
646-1986
- 12 St. Anthony
292-7884
- 13 Lexington-Hamline
645-3207
Merriam Park
645-6887
Snelling-Hamline
644-1085
- 14 Macalester-Groveland
698-7973
- 15 Highland
690-0866
- 16 Summit Hill
222-1222
- 17 Downtown
221-0488



INCOME AND EXPENSES OF NEIGHBORHOOD ORGANIZATIONS IN FY 1991

INCOME

In 1991, neighborhood organizations in Minneapolis and St. Paul received total income of approximately \$8,384,376. This total represents an increase of 16 percent over the comparable figure for the previous year. Table 1 shows the sources of total income for the different types of organizations.

TABLE 1. INCOME FOR NEIGHBORHOOD ORGANIZATIONS - FY 1991

	<u>Sample</u>	<u>Extrapolated totals (for all 117 organizations)</u>
<u>Government</u>		
Minneapolis non-target area (N=41)	\$ 50,202 (N=22)	\$ 93,556
Minneapolis target area (N=41)	1,408,121 (N=26)	2,220,311
St. Paul (N=35)	<u>\$1,466,657 (N=22)</u>	<u>\$2,333,212</u>
subtotal	\$2,924,980	\$4,647,079
<u>Foundations</u>		
Minneapolis non-target area	28,500	53,112
Minneapolis target area	643,683	1,014,953
St. Paul	<u>856,525</u>	<u>1,362,591</u>
subtotal	1,528,708	2,430,656
<u>Religious Organizations</u>		
Minneapolis non-target area	500	932
Minneapolis target area	25,500	40,208
St. Paul	<u>22,371</u>	<u>35,589</u>
subtotal	48,371	76,729
<u>Federated Funding Organizations</u>		
Minneapolis non-target area	12,056	22,467
Minneapolis target area	54,000	85,147
St. Paul	<u>32,582</u>	<u>51,833</u>
subtotal	98,638	159,447
<u>Service Fees</u>		
Minneapolis non-target area	21,036	39,202
Minneapolis target area	211,713	333,827
St. Paul	<u>185,816</u>	<u>295,603</u>
subtotal	418,565	668,632
<u>Grassroots Fundraising</u>		
Minneapolis non-target area	25,637	47,777
Minneapolis target area	83,415	131,528
St. Paul	<u>139,881</u>	<u>222,528</u>
subtotal	248,933	401,833
<u>Totals</u>		
Minneapolis non-target area	137,931	257,046
Minneapolis target area	2,426,432	3,825,974
St. Paul	<u>2,703,832</u>	<u>4,301,356</u>
GRAND TOTALS	\$5,268,195	\$8,384,376

When comparing St. Paul organizations with Minneapolis target area groups, it becomes clear that these Minneapolis organizations are not doing as well raising funds as their St. Paul counterparts. St. Paul organizations, on average, tend to be larger than Minneapolis target area organizations. This difference in average size increased between 1990 and 1991. Table 2 summarizes the figures for both 1990 and 1991.

TABLE 2. AVERAGE AMOUNTS RECEIVED FROM DIFFERENT FUNDING SOURCES

	Minneapolis Target Area Organizations		St. Paul Organizations	
	<u>1990</u>	<u>1991</u>	<u>1990</u>	<u>1991</u>
Government	\$41,744	\$54,159	\$49,979	\$66,666
Foundations	22,288	24,757	27,599	38,933
All Others	22,184	14,409	20,294	17,302
Totals	86,216	93,325	97,872	122,902

Between 1990 and 1991 the average amount received from all sources by Minneapolis target area organizations grew from \$86,216 to \$93,325. This is an increase of 8 percent. During the same time period St. Paul organizations went from an average of \$97,872 to \$122,902, or an increase of 26 percent. Minneapolis organizations saw an average increase in government funds of over \$12,000 but a smaller increase in foundation monies and a significant drop in other sources of funds. St. Paul organizations saw significant average increases in both government and foundation funds and a relatively modest decrease in all other sources.

Government monies had accounted for 48 percent of the total income received by neighborhood organizations in 1990. By 1991, government funding accounted for 55 percent of the total. The percentage accounted for by foundation funding also increased slightly from 27 percent of the total in 1990 to 29 percent in 1991. On the other hand, self-generated funds--including both fees for services and grassroots fundraising--fell from 20 percent to 13 percent of total income. The increases in government and foundation funding and the decreases in self-generated funds occurred across the board in both St. Paul and Minneapolis organizations.

Those responding to the survey were asked to what level of government their organization had applied for funds. Table 3 summarizes the results for the seventy respondents. The figures in Table 3 are all higher than the comparable figures for 1990, with two exceptions. State monies received by St. Paul organizations fell from \$189,027 in the 1990 sample to \$64,983 for the 1991 respondents. This is noteworthy in light of the fact that the amount of money available from the state increased significantly between 1990 and 1991 because of the infusion of funds through the Office of Drug Policy and the Community Crime/ Drug Prevention programs. The reason for this decline, according to anecdotal evidence, is that the neighborhood organiza-

tions simply could not compete effectively in the RFP process with the larger service organizations. Money received from the counties and/or the Metropolitan Council also decreased from the \$9,346 reported in 1990 to the \$7,773 figure (Table 1) for 1991. This lack of county funding is significant in that neighborhood organizations are dealing with areas such as youth employment, child care, recreation, job training. Many of the other nonprofit organizations providing services in these areas receive county funding (the county is the level of government traditionally responsible for funding of these services). Neighborhood organizations, however, are not yet tied into this source of funding.

TABLE 3. 1991 GOVERNMENT FUNDING TOTALS
(sample only, N=70)

	<u>Federal</u>	<u>State</u>	(Metro Council) <u>County</u>	<u>City</u>	<u>Total</u>	<u>Dollars/ Organi- zation</u>
Minneapolis non- target area (N=22)	--	--	--	\$50,202	50,202	\$2,282
Minneapolis target area (N=26)	\$103,327	358,314	--	946,480	1,408,121	54,159
St. Paul (N=22)	<u>--</u>	<u>64,983</u>	<u>7,773</u>	<u>1,393,901</u>	<u>1,466,657</u>	<u>66,666</u>
TOTAL	\$103,327	\$423,297	\$7,773	\$2,390,583	\$2,924,980	--

The amount of money reported as received directly from federal offices almost doubled from \$52,500 in 1990 to \$103,327 in 1991. The number of respondents receiving funds went from one to three. Also increasing--from \$15,394 in 1990 to \$50,202 in 1991--was the amount of money received by Minneapolis non-target area organizations. This relatively large increase was due primarily to one respondent; otherwise, government monies received by these smaller groups were limited almost exclusively to citizen participation funds.

Foundation funding for neighborhood organizations also changed between 1990 and 1991. The extrapolated total of these funds increased from \$1.9 million in 1990 to \$2.4 million in 1991, an increase of 24 percent. Foundation funding for the average Minneapolis target area organization increased by a little less than \$2,500--from \$22,288 to \$24,757. In St. Paul, however, the increase was over \$11,000; the average St. Paul organization received \$27,599 in foundation funds in 1990 and \$38,933 in 1991.

The 1990 survey respondents cited over fifty private, corporate, and community foundations making contributions to organizations in either or both Minneapolis and St. Paul. In 1991, respondents cited forty-four foundations, with twenty-five of these giving \$2,000 or more. (These twenty-five are listed in Appendix C on page 20.)

In 1990, seven foundations were reported by respondents as contributing over \$50,000 to neighborhood organizations. These foundations together accounted for 74 percent of the total foundation dollars granted to these organizations. In 1991, the seven had been joined by four others; and the percentage of the total given by these eleven larger contributors rose to 84. The eleven foundations and the totals reported by survey respondents are:

St. Paul Companies	\$244,600
MNSHIP/PRO-Neighborhoods	213,625
Northwest Area	197,855
McKnight	127,500
Dayton's	126,000
Minneapolis	71,200
Honeywell	69,189
First Bank	62,000
Bremer	60,000
LISC	55,000
General Mills	<u>52,000</u>
 TOTAL	 \$1,279,969

In 1991 two private foundations, Northwest Area and McKnight, joined the corporate and community foundations listed above. LISC and General Mills were the other additions. Both Minneapolis and St. Paul organizations received grants from seven of these foundations. Another three of the foundations made grants only to organizations in St. Paul; these grants totaled \$359,600. One of these larger contributors was reported as giving to only Minneapolis organizations; the total amount granted was under \$70,000.

The anticipated decrease in foundation funding for neighborhood organizations did not emerge from these figures; instead, there was a substantial increase. Foundation grants also contributed to the growing imbalance between St. Paul and Minneapolis neighborhood organizations. While the difference in average size, in itself, may not be of concern, the growth in the difference is noteworthy. As already indicated above, Minneapolis target area organizations income grew on average by 8 percent while St. Paul organizations' average income increased 26 percent. Further, the difference in the amount of government monies raised by Minneapolis target area organizations, on average, compared to St. Paul organizations increased by 52 percent from 1990 to 1991 (from a \$8,236 difference in the St. Paul/Minneapolis averages in 1990 to a \$12,507 difference in 1991). The difference in foundation monies, however, increased from an average of \$5,311 in 1990 to \$14,176 in 1991, a 167 percent increase. Finally, as anticipated in the 1990 survey, there was a shift in foundation funding from general operating support to housing and economic development. (This same shift is also evident in the drop of foundation funding for Minneapolis non-target area neighborhoods--from a total of \$39,450 in 1990 to \$28,500 in 1991.) In summary, according to the data from these surveys, while foundation funding for neighborhood organizations increased, there was a shift in funds from smaller to larger organizations and from general operating to more targeted monies.

EXPENSES

While total income for 1991 increased 16 percent over the comparable 1990 figure, expenditures increased 12 percent. The extrapolated total expense figure for 1991, as shown in Table 4, is \$7.9 million.

Again, the figures in Table 4 are derived from a sample, as were the figures for 1990. Given the differences between the two samples, any comparisons are approximate. With this caveat in mind, however, the following observations can be made comparing the two sets of figures. Organizational development expenditures were up in Minneapolis target area organizations--perhaps in response to the Neighborhood Revitalization Program--and down in St. Paul. Reported housing-related program expenditures held steady in both cities, but business and commercial development programs decreased in Minneapolis while increasing in St. Paul. Reported expenditures for a variety of service programs (employment, recreation, etc.) had the opposite pattern, with expenditures in this category increasing in Minneapolis and decreasing in St. Paul. Spending for block organizing was down in both cities.

Amounts reported for administration and fundraising increased sharply for both Minneapolis target area and for St. Paul organizations. In Minneapolis the average was \$16,412, up from \$12,041 in 1990, or a 36 percent increase. In St. Paul, the 1991 average was \$33,000, compared to the 1990 figure of \$25,566, or an increase of 29 percent. It was clear from the surveys, however, that many neighborhood organizations do not have experience with program-based budgeting and put under administration items that might be allocated elsewhere. Also, the relatively larger increase in Minneapolis expenses may also reflect the impact that the Neighborhood Revitalization Program (NRP) has had on some groups.

TABLE 4. EXPENSES FOR NEIGHBORHOOD ORGANIZATIONS - FY 1991

	<u>Sample</u>	<u>Extrapolated Totals</u>
A. PROGRAM EXPENSES		
<u>Organizational Development (membership recruitment, issue identification and leadership training)</u>		
Minneapolis non-target area (N=41)	\$ 24,479 (N=22)	\$ 45,619
Minneapolis target area (N=41)	448,607 (N=26)	707,359
St. Paul (N=35)	<u>350,553 (N=22)</u>	<u>557,673</u>
subtotal	\$823,639	\$1,310,651
<u>Housing-related Programs</u>		
Minneapolis non-target area	66,413	123,766
Minneapolis target area	600,288	946,528
St. Paul	<u>280,634</u>	<u>446,443</u>
subtotal	947,335	1,516,747
<u>Business and Commercial Development</u>		
Minneapolis non-target area	200	373
Minneapolis target area	189,623	298,996
St. Paul	<u>454,080</u>	<u>722,367</u>
subtotal	643,903	1,021,736
<u>Prevention Programs (e.g. Crime Watch)</u>		
Minneapolis non-target area	400	745
Minneapolis target area	296,403	467,365
St. Paul	<u>184,223</u>	<u>293,069</u>
subtotal	481,026	761,179
<u>Special Events</u>		
Minneapolis non-target area	5,455	10,166
Minneapolis target area	65,555	103,366
St. Paul	<u>95,286</u>	<u>151,585</u>
subtotal	166,296	265,117
<u>Services (e.g. employment, recreation)</u>		
Minneapolis non-target area	1,505	2,805
Minneapolis target area	282,828	445,960
St. Paul	<u>121,117</u>	<u>192,677</u>
subtotal	405,450	641,442
<u>Block Organizing</u>		
Minneapolis non-target area	300	559
Minneapolis target area	40,488	63,841
St. Paul	<u>98,625</u>	<u>156,896</u>
subtotal	139,413	221,296
<u>Other Programs/Projects</u>		
Minneapolis non-target area	7,529	14,031
Minneapolis target area	<u>71,731</u>	<u>113,105</u>
St. Paul	<u>130,941</u>	<u>208,306</u>
subtotal	210,201	335,442
Subtotal (PROGRAM EXPENSES)		
Minneapolis non-target area	106,281	198,064
Minneapolis target area	1,995,523	3,146,520
St. Paul	<u>1,715,459</u>	<u>2,729,015</u>
Total (PROGRAM EXPENSES)	\$3,817,263	\$6,073,599
B. ADMINISTRATION AND FUNDRAISING EXPENSES		
Minneapolis non-target area	23,006	42,874
Minneapolis target area	426,718	672,845
St. Paul	<u>726,039</u>	<u>1,155,010</u>
subtotal	1,175,763	1,870,729
Subtotal (PROGRAM EXPENSES AND ADMINISTRATION AND FUNDRAISING EXPENSES)		
Minneapolis non-target area	129,287	240,937
Minneapolis target area	2,422,241	3,819,365
St. Paul	<u>2,441,498</u>	<u>3,884,025</u>
TOTAL EXPENSES	\$4,993,026	\$7,944,327

PROJECTED EXPENSES AND INCOME SOURCES
FOR NEIGHBORHOOD ORGANIZATIONS FOR FY 1993

PROJECTED EXPENSES

The survey also asked organizations to estimate their "total expenses for the fiscal year that will include all of or begin in 1993." This is referred to here as fiscal year (FY) 1993. Table 5 summarizes the responses.

Table 5. ESTIMATED EXPENSES FOR FY 1993

	<u>Sample</u>	<u>Extrapolated Totals</u>
Minneapolis non-target area (N=22 of 41)	\$ 213,900	\$ 398,621
Minneapolis target area (N=21 of 41)	2,456,886	4,796,732
St. Paul (N=22 of 35)	<u>2,823,642</u>	<u>4,491,954</u>
TOTAL	\$5,494,428	\$9,687,307

As in 1990, the largest anticipated percentage increase is in the non-target area neighborhoods in Minneapolis. Compared to an average of reported expenses in 1991 of \$5,877, anticipated expenses by 1993 will be \$9,728, or an increase of 66 percent. Anticipated increases for the other categories of organizations are more modest. Minneapolis target area groups project an increase in averaged expenses of 26 percent in the two years and St. Paul groups an increase of 17 percent.

In the 1990 survey, St. Paul organizations estimated that their expenses would have increased an average of 11 percent by 1992, or 5.5 percent per year. The increase in reported actual expenses between 1990 and 1991 was 14%. For Minneapolis target area groups, the increase in actual expenses was 11 percent compared to an estimated increase of 4.5 percent. And for the non-target area groups in Minneapolis, the actual increase was 19 percent compared to an estimated increase of 30 percent.

The larger anticipated increases reported in the 1991 survey, therefore, may show a more realistic assessment by the organizations of their financial situation.

PROJECTED INCOME

As we have seen, the importance of government funding grew for Twin Cities neighborhood organizations from 48 percent of their total income in 1990 to 55 percent in 1991. While most of the government funds for neighborhood organizations come from federal sources, they are administered to neighborhood organizations by various offices at either the state or the local (city/county) level. Whether or not the change of administrations in Washington results in any significant changes in government funding for neighborhood organizations remains to be seen. The following (Table 6)

reports the best estimates made by state and local government staff to the authors regarding the level of funding available from 1991 through 1993.

Table 6. MAJOR SOURCES OF STATE FUNDING FOR TWIN CITIES
NEIGHBORHOOD ORGANIZATIONS*

Source	1991	1992	1993
Trade and Economic Development Community Development Corpor- ation seed grants	\$249,500	\$ 0	\$ 0
Minnesota Housing Finance Agency Capacity Building Grants	100,000	100,000	100,000
Office of Drug Policy Community Crime/Drug Preven- tion Programs	869,290	870,000	661,215
TOTAL AVAILABLE	\$1,218,790	\$970,000	\$761,215

* These figures represent the total of those program funds for which neighborhood organizations and other nonprofits throughout the state may apply. The amounts received by neighborhood organizations in the Twin Cities are, of course, much lower than these figures.

Between 1991 and 1993, the total amount of state funds for which neighborhood organizations might apply, decreased by 38 percent from approximately \$1.22 million to \$.76 million. There was also a shift in funds away from general operating support available through the CED seed grants and towards program dollars through the Office of Drug Policy. The latter funds are much harder for a neighborhood organization to apply successfully for, given that the organization is competing with specialized and professional service organizations.

The majority of government funding for neighborhood organizations occurs at the local level using federal and sometimes state "pass through" funds. As with the state monies, most of these local programs fund other groups besides the neighborhood organizations which concern us here. Table 7 lists these major sources of money at the local level used by Minneapolis neighborhood organizations and the total amount available through each source.

Minneapolis staff do not anticipate new funds available from the city for neighborhood organizations. In addition, the total of available funds grew between '91 and '93 by 2.5 percent--from \$2,082,500 to \$2,134,638. If neighborhood organizations are going to cover increased expenses by government funds, it appears these will come from different sources than in the past. There are other sources of potential funding for neighborhood organizations already in place. Perhaps the two largest are the Neighborhood Revitalization

Program (NRP) and Minneapolis employment and training monies. The latter have grown significantly, from \$3.1 million in 1990 up to \$7.8 million in 1993, because of an infusion of funds for dislocated worker programs. Most neighborhood organizations, however, are not equipped to successfully compete for these funds, though a few have done so and might represent a source of assistance to other neighborhood organizations. The other source is NRP. Again, however, the monies from this program have been used to cover expenses by the neighborhood organizations in meeting the program's requirements and have not been available for general operating support or organizational development. This may, however, change.

Table 7. MAJOR MINNEAPOLIS FUNDING PROGRAMS FOR NEIGHBORHOOD ORGANIZATIONS

<u>Program</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Citizen Participation	\$370,000	\$400,000	\$508,000
Community Initiative Program	295,500	150,000	91,638
Public Housing Authority	50,000	75,000	100,000
Nghbhd. Economic Development Fund	385,000	150,000	275,000
Nonprofit Assistance Fund	315,000	315,000	615,000
Coop Training	50,000	50,000	50,000
Year of the City	477,000	400,000	355,000
Home Ownership	140,000	105,000	140,000
TOTAL	\$2,082,500	\$1,645,000	\$2,134,638

Table 8. MAJOR ST. PAUL FUNDING PROGRAMS FOR NEIGHBORHOOD ORGANIZATIONS*

<u>Program</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Community Resources Pgm. (CRP)	\$1,342,747	\$1,174,000	\$1,174,000
Neighborhood Partnership Program (NPP)	726,950	814,050	640,000
Neighborhood Clean-up	128,900	123,799	123,799
Citizen Participation	651,108	641,000	642,337
Crime Prevention	200,000	200,000	200,000
Contract for Services with Non-Profit Organizations (COPS)	491,214	464,214	490,988
TOTALS	\$3,540,919	\$3,417,063	\$3,271,124

* As in Minneapolis, these are funds to which neighborhood organizations are eligible to apply. The amounts represent far more than what the surveyed organizations received.

The funding situation in St. Paul is broadly similar. There are no new sources of funds available for neighborhood organizations anticipated to date. While the total funds available to neighborhood organizations has remained a bit steadier, overall the funds have decreased from \$3.5 million in 1991 to \$3.2 million in 1993. Table 8 details this 8 percent drop.

As noted above, foundation funding for neighborhood organizations changed substantially between 1990 and 1991 based on the data gathered through these two surveys. These changes may well continue in subsequent years; that is, an increasing shift away from general operating monies of programs like MNSHIP and PRO Neighborhoods to more programmatic funds. This more focused funding, however, is offset somewhat by a larger number of foundations making substantial grants to neighborhood organizations, at least in 1991 as compared to 1990.

Consistent with the 1990 survey, the results in 1991 showed that virtually all foundation support goes to staffed organizations. With the exception of several MNSHIP/PRO neighborhood grants, all volunteer neighborhood organizations received virtually no foundation funds in 1991. There are no plans the authors are aware of to address this situation. These smaller organizations may have to look to other funders for their program and development monies.

On a more positive note, the increase between 1990 and 1991 in foundation funding for neighborhood organizations was largely unexpected, though it made a significant contribution to the growth of the larger organizations. Whether this level of contributions will be sustained can only be determined by future surveys.

SUMMARY AND CONCLUSIONS

Considering both the 1990 and 1991 surveys, the overall level of funding secured by neighborhood organizations increased from both foundation and government sources. There was a decline in income from service fees and grassroots fundraising.

There was a shift in government and foundation funding away from general operating support to programmatic monies--especially towards crime prevention funds from government sources and physical development funds from foundations.

Funding for those government programs from which neighborhood organizations have traditionally received grants peaked in 1991 at \$6.8 million. This figure decreased to \$6.0 million in 1992 and was up slightly to \$6.2 million in 1993. Competition for these funds is increasing. No new sources of funds, especially for general operating and organizational development, are yet known.

Foundation funds showed a marked increase between 1990 and 1991; whether this has been sustained remains to be seen.

Of special concern is the reported drop in self-generated funds, including both service fees and grass-roots fundraising. The total dropped from \$1.5 million in 1990 to \$1.1 million in 1991, or 27 percent.

The imbalance in budget size between St. Paul and Minneapolis neighborhood organizations increased with the former organizations growing much more, on average, than the latter from the beginning of 1990 to the end of 1991.

The growth in income of neighborhood organizations was greater than the organizations anticipated. Total actual expenses of \$7,944,327 in 1991 already exceeded total anticipated expenses for 1992 of \$7,928,435.

As neighborhood organizations grow and develop, it seems important to keep in mind that they have tended to be organizations that deal with many different issues and programs. While the decline in general operating funds is a familiar complaint of nonprofit organizations, with neighborhood groups it has a particular importance. As government funding becomes more programmatic and competitive, neighborhood organizations will either have to develop more competitive skills for the programmatic areas in which they wish to compete for funds or increasingly lose out to the larger and often more specialized service organizations.

Considering government funding, there are two other areas that neighborhood organizations might well look to for help in securing monies. One is county funding, particularly for those organizations offering human service programs, and the other is direct federal funding. HUD initiated a demonstration program this year from which several Minneapolis organizations received funds. With some assistance, there are probably other sources of federal funds that could be successfully tapped by Twin Cities neighborhood organizations.

concern here as is the apparent imbalance of foundation resources between St. Paul and Minneapolis organizations and, more noticeable, between the larger, more established organizations and the smaller, emerging groups. If government funding continues to become more programmatically targeted and competitive, these newer organizations will have an even more difficult time successfully attracting funding for initial staff and organization development.

Finally, from the surveys themselves, it is apparent that many neighborhood organizations are not familiar with program-based budgeting and other ways of more clearly stating their financial situation. Many organizations, for example, overstate their administration and fundraising expenses to the detriment of their organizational development and program-related efforts.

Nevertheless, a one-year 16 percent overall growth rate is a noteworthy achievement in such economic times. The neighborhood organizations of the Twin Cities are a remarkable and worthwhile resource for confronting some of our most confounding and persistent problems.

APPENDIX A. NEIGHBORHOOD BALANCE SHEET

Please add an additional sheet if you need more space to complete any item.

I. ACTUAL INCOME--1990 (or last fiscal year for which actual figures are available)

A. Government Sources	Office/Funding Program	Amount	Purpose
1. Federal	_____	_____	_____
2. State	_____	_____	_____
3. County	_____	_____	_____
4. City (incl. CDBG)	_____	_____	_____
	_____	_____	_____
	_____	_____	_____
	_____	_____	_____

B. Foundation grants

Name of Foundation	Amount	Purpose
_____	_____	_____
_____	_____	_____
_____	_____	_____

C. Grants from Religious Organizations

Name of Organization	Amount	Purpose
_____	_____	_____
_____	_____	_____
_____	_____	_____

D. Federated Organizations

Name of Organization	Amount	Purpose
_____	_____	_____
_____	_____	_____

E. Fees for Service

Service Provided

Amount

_____	_____
_____	_____
_____	_____

F. Grassroots Fundraising

Amount

Dues

Individual contributions

Fundraisers

Other (please specify)

TOTAL INCOME

II. EXPENSES

A. Program/project expenses (expenditures for specific projects/programs for which you received earmarked funds).

1. Organizational development: membership recruitment, issue identification, leadership training

2. Housing

3. Business and commercial development

4. Prevention programs (e.g., Crime Watch)

5. Special events

6. Services (e.g., jobs, tutoring, recreation)

7. Block organizing

8. Other

B. All other expenses (e.g., administrative, grant-writing)

TOTAL EXPENSES

III. Please give an estimate of your organization's total expenses for the fiscal year that will include all of or begin in 1992.

APPENDIX B. NOTES ON SURVEY METHODOLOGY

Organizations were asked for finalized income and expense figures for the twelve-month period immediately preceding their fiscal year 1992. For some organizations this meant calendar 1991. For others it meant a fiscal year. The twelve-month period covered by these income and expense figures is referred to as "fiscal year 1991."

Some of the organizations in both cities administer, for example, housing and economic development loan programs and do housing projects. These "flow-thru" monies were not counted in the figures, although amounts received for administering these programs and the project development fees were included.

There are also many differences in accounting procedures and definitions of terms among these neighborhood organizations. For some, "contributions" means only gifts of money from individuals. For others, it includes all foundation grants as well as individual gifts received. For some it includes monies raised through fundraising events; for others, it does not. Some organizations do program-based budgeting, others do not. Distinctions between organizational development and administrative expenses were particularly inconsistent across the variety of organizations. The diversity of accounting periods and procedures means that the sources of grant income and amounts are relatively accurate for the twelve months of fiscal year 1991; figures on fees for service and grassroots income are less accurate within their sub-categories, and the total amounts are probably slightly understated. Expense totals are relatively accurate, but the breakdown of expenses is only an approximation. Even so, the information is, overall, an accurate picture of the various sources of financial support for neighborhood organizations in the Twin Cities for fiscal year 1991.

A different set of issues is raised when comparing results from the 1991 survey with those from the earlier 1990 survey. Both instruments were virtually the same. A few minor changes had been made for the sake of clarity.

As indicated in the text, the response rate in 1991 was 60 percent compared to a response rate of 66 percent for the 1990 survey. Because of the differences in the mix of organizations responding to the survey in 1991 compared to 1990--there were fewer of the larger Minneapolis organizations with paid staff (M2)--the actual figures from the 1991 survey, in general, are probably somewhat low. Nevertheless, especially given the wide diversity of organizations even within each of the three categories, there are ways in which valid comparisons can be made with caution. The two sets of figures were never directly compared. Either averages or extrapolated totals were computed before comparisons were made. Also, observations and conclusions were made on major, general differences between the two sets of results and not on any slight variation in the numbers.

APPENDIX C. FOUNDATIONS GIVING TO NEIGHBORHOOD ORGANIZATIONS
AS REPORTED BY THE ORGANIZATIONS FOR FY 1991

The following is from the seventy organizations responding to the survey. The list includes all those foundations reported as giving at least \$2,000.

3M	\$3,000
Bigelow	26,500
Bremer	60,000
Dayton Hudson & Target Stores	126,000
Family Housing	50,000
First Bank	62,000
General Mills	52,000
Grand Met	2,500
Headwaters	28,000
Honeywell	69,189
Lions	2,000
LISC	55,000
Maxwell	5,000
McKnight	127,500
MNSHIP	213,625
Minneapolis Fdn.	71,200
Northwest Areas	197,855
NSP	8,500
Pillsbury	2,000
St. Paul Companies	244,600
St. Paul Fdn.	39,500
TCF	2,000
Valspar	3,000
Western Bank	3,000
Williams Steel	2,000

The above amount totals \$1,433,469 and represents 94 percent of the foundation giving to neighborhood organizations. Another nineteen foundations made smaller contributions, invariably to a single organization.