



NCNA Talking Points on the National Capacity Building Initiative

- We believe that the efforts of the Senate Finance Committee toward increasing the accountability and transparency in the nonprofit sector provide a critical opportunity to increase the capacity and effectiveness of the nonprofit sector, as well as its governance and accountability.
- We fully support the proposal in the discussion draft issued by the staff of the Senate Finance Committee in 2004 to authorize \$25 million for training and capacity building for nonprofit organizations.
- We believe any new nonprofit reform legislation must authorize federal funding for training and capacity building, especially for small nonprofits. Though the public is very aware of large organizations in the nonprofit sector, most nonprofits are small. Over ninety percent of nonprofits operate with annual budgets under \$5 million. Accordingly, federal funds are necessary to support the accountability and management practices of small nonprofits.
- This funding is needed for general capacity-building activities and to provide training opportunities on specific legal and financial topics. In order for accountability and transparency proposals to be successful - and adopted widely throughout the nonprofit sector - local organizations will no doubt require federal assistance to train staff, board members, and volunteers, as well as promote "best practices."
- We envision this funding will be used for a variety of activities, such as: (1) Leadership Development (Board Composition and Function, Staff Professional Development, Volunteer Training, and Development and Succession Planning); (2) Organizational Development (Board Governance, Systems: Management, Human Resources, Financial, Planning, Policies and Procedures, Fiscal Controls); (3) Legal Compliance and Reporting (Policies and Procedures, New and Existing Federal and State laws, On-Line Reporting Systems); and (4) Technology (Training, Equipment, and Software).

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Nonprofit Capacity Building Initiative: Legislative Language

Nonprofit organizations play a critical role in communities across the country, including fulfilling government contracts, providing necessary services to those in need, and elevating America's quality of life. The National Council of Nonprofit Associations (NCNA), state associations of nonprofits, and local nonprofits have long seen a need for a government-funded capacity building program for nonprofit organizations. Similar to the Small Business Administration, the Nonprofit Capacity Building Initiative would provide support for training, technical assistance, and other types of capacity building resources and activities for nonprofit organizations. NCNA drafted the legislative language below at the request of the Senate Finance Committee in September 2005.

Sec. ____. Capacity-building grants and technical assistance

(a) General authority – Subject to the provisions of this section, the Secretary of the Treasury shall award, after consultation with appropriate Federal departments and agencies, grants to

(1) state and national organizations capable of educating tax-exempt entities with annual operating budgets of less than \$5,000,000; and

(2) national organizations capable of developing curriculum and materials to distribute to entities receiving awards under paragraph (a)(1).

(b) Allocation of funds – Grants in paragraph (a)(1) shall be awarded to tax-exempt entities in each state in proportion to the number of tax-exempt entities in each state registered with the Internal Revenue Service, with no less than \$200,000 in grant awards to tax-exempt entities in any state.

(c) Criteria for grants

(1) To be eligible to receive an award under paragraph (a), an entity

(A) must demonstrate prior experience and capacity to address topics related to

(i) the development of leadership and organizational management within tax-exempt entities; and

(ii) compliance with appropriate federal and state law, including the use of technology to aid such compliance.

(B) shall have an annual operating budgets of less than \$10,000,000; and

(C) shall not be an agency of a state or local government.

(2) In determining whether to make a grant under paragraph (a)(1), the Secretary shall consider

(A) the number of tax-exempt entities that will be served by the grant;

(B) the existence of state and national organizations serving the same population;

(C) the quality of the program offered by the organization, including the qualifications of its administrators and representatives, and its record in providing services to tax-exempt entities with annual operating budgets of less than \$5,000,000; and

(D) alternative funding sources available to the organization, including amounts received from other grants and contributions.

(d) Report to Congress – No later than March 31, 2008, the Secretary, in consultation with appropriate Federal departments and agencies, shall prepare and submit to Congress a report that describes the activities funded under this section for the preceding fiscal year.

(e) Regulations – The Secretary may issue such regulations as may be necessary and appropriate to carry out this section.

(f) Authorization of appropriations – For the purpose of carrying out grants in

(1) paragraph (a)(1), there are authorized to be appropriated \$24,000,000 for fiscal year 2007 and such sums as the Congress may determine for each of the three succeeding fiscal years.

(2) paragraph (a)(2), there are authorized to be appropriated \$1,000,000 for fiscal year 2007 and such sums as the Congress may determine for each of the three succeeding fiscal years.