PROMISE NEIGHBORHOODS INSTITUTE
AT POLICYLINK

BEYOND LESSONS IN THE FIELD

Planning for Growth and Sustainability of Promise Neighborhoods: Keys to Success

A Roadmap to Resources

A finance plan, a business plan, a growth plan—no matter what it's called, every Promise Neighborhood must develop a strategy for cultivating and obtaining the resources it needs to achieve its goals as it creates an overall implementation strategy. Such a plan details how the work will be supported in the early stages, scaled up, and sustained even in the face of budget cuts. Sites should develop a finance plan, as we'll call it in this document, in tandem with a program plan, so resources are tied to specific interventions.

A finance plan is important internally and externally. It helps Promise Neighborhoods leaders make strategic, pragmatic program decisions early on, so they understand what they can and cannot do in the months and years ahead. It also aids in fundraising, alerting potential funders to the direction and financial needs of the initiative. With a solid finance plan to support a program strategy, a Promise Neighborhood can envision its future and follow clear, concrete steps to raise the money it needs to get there.

Financing a comprehensive community endeavor takes concerted thought, solid budget estimates, and viable fundraising connections, but a reliable plan can make the difference between a robust initiative with staying power and a struggling one. Absent a finance plan, communities may find themselves unable to support some of the proposed interventions or maintain the infrastructure needed to carry out the work or scale up their most promising practices within their desired time frame. A sound finance plan lays the groundwork for building an initiative that has a lasting impact on children, families, and neighborhoods.

Department of Education Requirements

Figuring out how to pay for Promise Neighborhoods is a key task during the planning year. The Department of Education stipulates that federal grantees must estimate start-up and operating costs, and "identify the sources and amounts of current federal, state, and local funds, including public and private funds, that can be used for the project."

Clearly, the Department hopes that communities will be able to attract enough resources to make their efforts sustainable after the period of federal funding. In fact, a selection criterion for planning grant applicants was "the potential for continued support of the project after federal funding ends, including the demonstrated commitment of appropriate entities to sustain and 'scale up' the proposed Promise Neighborhood."

This paper is part of a collection, Beyond Lessons in the Field, that highlights the themes and guidance presented in a series of webinars on effective planning for Promise Neighborhoods.

Five Key Questions, and Answers from the Field

1. How is a finance plan developed?

The Finance Project, a highly regarded nonprofit in Washington D.C., suggests the following steps:

- **Clarify "financing for what?"**
  Sites should be clear on what they want to accomplish and what interventions they want to put in place to reach those goals. They should know how they will build a pipeline of services, at what scope and scale over what time period, and what infrastructure will be needed to carry out their plans.

- **Estimate the costs needed to fund the above activities**
  What are the full costs of the initiative? This should include not only cash, but also in-kind items such as volunteer labor and space. This budget should include both one-time start-up and on-going operating costs and both program and infrastructure costs such as administration, data and evaluation, communications, and professional development. Any capital costs such as purchasing equipment and building or renovating facilities should be included as well. Cost escalation assumptions should be built into the budget.

- **Map current available funding sources and determine how robust they are**
  What current funding streams are available to support the work? How flexible are current funding sources? Are they restricted to specific strategies, or can they be redirected? How durable are they? Are they likely to last for more than one or two years? Is there a balance of public and private, short and long-term, and restricted and flexible funds? To minimize the risk of having to cut programs if one funding source dries up, sites should diversify their funding sources as much as possible.

- **Identify gaps in funding**
  Calculate the difference between cost estimates and resources in hand. Pinpoint the activities that require new resources—for example, start-up activities, recurring activities, or future expansion. Identifying these gaps will help sites in the next step, targeted development efforts.

- **Determine appropriate funding sources and financing strategies that will fill funding gaps**
  Look into federal funds as well as state and local public funds, being sure to note which of these require matching dollars.[1] Also explore national, regional, community, family, and corporate foundations, as these grants can often serve as matches for public monies. Focus on foundations with funding priorities that match Promise Neighborhoods goals and strategies. Given the focus on partnerships in Promise Neighborhoods, sites may consider asking a group of funders to collaboratively support the work.

To finalize the list of candidate sources, keep a spreadsheet that shows the following attributes for each potential source:

- **Accessibility:** is the initiative eligible to apply?
- **Fit:** does this funding source support the types of activities proposed?
- **Resource potential:** will it generate sufficient money or other resources?

- **Administrative burden:** what are reporting, data collection, evaluation, and other requirements? Are there requirements for matching grants? Are there political considerations such as competitors that make it a long shot?

In the end, sites will need to decide whether, for each potential funding source, "the juice is worth the squeeze," and focus on the most promising ones.

2. What is the relationship between financial planning and program design?

Promise Neighborhoods partnerships will require a centralized capacity to manage a huge store of information. Specifically, sites will need to address overall data quality issues, system maintenance, report creation, and training capability. Some partnerships will contract with a data management vendor to manage some or all of these areas, while other sites will create and operate their own systems. And there are a number of other costs associated with constructing Promise Neighborhoods.

The first step in building a solid financial plan is to choose the interventions you want to put in place to reach your goals. But in a cradle to career pipeline there are likely to be too many interventions, supports, and services to implement all at one time. How can sites prioritize programs?

Bridgespan suggests that sites look closely at two dimensions: the financial support available for each potential program; and how well aligned the program is with the community's goals. This framework allows for four possible scenarios:

- **Positive financial support and high alignment:** These programs have solid financial backing or a high likelihood that it can be obtained, and fit well with the initiative's overall goals. Sites should include these programs first in their plan.

- **Positive financial support but low alignment:** These programs may be fully funded but they are tangential to the initiative's goals. An example might be a funded teen program that does not directly address early childhood issues, which the initiative plans to focus on initially. Sites may or may not choose to include these programs in their plan. As long as the program does not distract leaders' from their primary focus, it may be fine to continue this program.

- **Negative funding but high alignment:** These programs may have no current finding or obvious revenue sources on the horizon, but they are critical to the initiative's mission. An example might be a parenting program that is essential to an organization's goal of getting young children ready for school, and which the organization will have to support through its unrestricted funding.

- **Negative financial support and low alignment:** These programs have no stable funding and little alignment with the project's mission. An example might be a senior citizens' program that is not fully funded and does not advance the initiative's goals of helping children succeed in school. These kinds of programs can be distractions and may have to be eliminated or handed off to another provider.

This framework suggests that sites should start with the positive financial and high alignment programs, avoid most if not all of the negative financial and low alignment ones, and make careful choices within the other two categories.

3. How can sites find needed resources in a tough economic climate?

The Finance Project suggests that sites look at five key financing strategies when they are looking for new revenue sources to cover their budget gaps:

- Make better use of existing resources to help fund new programs. Sites may want to examine ways to stretch existing resources further or redirect current resources to fill specific gaps. For example, a community may redirect some of its adolescent behavioral health dollars to a program focused on the health of young children, if that's in line with its new priorities.

- Maximize public revenues at the federal, state, and local levels. For example, if a site wants to start a program serving new mothers, it might be able to tap federal funds through Early Head Start.

- Build public-private partnerships that can leverage additional resources for new programs. Partnerships with city and foundation officials can lend credibility that may bring in new donors.

- Create more flexibility in categorical public or private funding streams so that particular gaps in services can be funded. For example, a community might apply for a state waiver allowing the site to expand eligibility for a public assistance program, to cover more new mothers in the neighborhood.

- Develop new resources, including public sources at every level of government and private sources at the local, regional, and national levels.

4. How has the Harlem Children's Zone grown its budget?

In 1970, Richard Murphy founded the Rheedlen Centers for Children and Families, a non-profit focused on truancy prevention. In 1990, Geoffrey Canada became President/CEO and a decade later the organization renamed itself the Harlem Children's Zone. In Fiscal Year 1999, prior to the start of its growth plan, HCZ had a budget of $7.5 million. The changes reflected a shift to a more comprehensive community building initiative to enhance the lives of poor children who lived in the Harlem Children's Zone catchment area, what was then a 24-block neighborhood in Central Harlem.

In 2001, HCZ launched its growth plan, which was divided into three phases and is available online at www.hcz.org. The first phase was focused on building and honing on the model within the existing 24 block area and building back-office capacity. HCZ's Board of Trustees also started to transform, given the long-term aspirations of the organization.

In the second phase of its growth plan, the Harlem Children's Zone expanded into a new geographic area, launched several major new programs, including its charter schools, and expanded the number of children and families it served. Its annual budget grew to $25 million. At this point, it began to focus on infrastructure funding and developed deeper partnerships with corporations. It also began an endowment campaign for sustainability, and program-based fundraising that solicited money and in-kind resources for specific programs that were reaching best practice.

In phase three, HCZ added new early childhood, high school, and college success programs, and its budget grew to $85 million by FY 2012. The charter schools drove much of the budget growth, with 180 students added each year. HCZ continued to capitalize on its board connections and individual donor base to continue its endowment campaign.

Currently, about one-third of HCZ's revenues come from government agencies, one-third from private foundations and corporations, and one-third from individual donors. The development department has a full-time staff of 10.

How the Harlem Children's Zone uses its Business Plan

The Harlem Children's Zone launched its business plan in 2001, and a five-year program growth and budget projection plan in 2010. Each year, staff and board members review their work against the benchmarks in the plan and adjust their targets for the following year. HCZ uses the plan as a road map to assess where they are and where they're going, even if they adjust it periodically to conform to changing conditions.

5. How can sites successfully implement a financial plan?

Based on its experiences over the past 40 years, the Harlem Children's Zone notes these lessons:

- **Let fundraising goals follow program goals**. HCZ does not go after money unless it will clearly advance program goals.
- **Just one donor can be a good start**. The early endorsement of a key donor leverages others. HCZ outlined the terms and conditions of investment in the business plan—sending the message that this was an exclusive club, which is not typical in fundraising. After one influential donor invested, others followed.
- **Reach high**. HCZ asked for significant contributions from donors: six-figure gifts each year for at least three years.
- **Get infrastructure support**. HCZ solicited it up front so the programs could grow with infrastructure support.
- **Foster internal collaboration**. The HCZ development department works closely with program, evaluation, fiscal, and communications staff. This collegial approach helps HCZ tell its full story to potential funders.
- **Look ahead**. HCZ continually forecasts the probability of renewals and funding cuts, for both public and private funders. This allows the organization to anticipate needs and gaps, and solicit new prospects before current grants expire.

This document summarizes guidance on financing, growth, and sustainability from:

Tracey K. Costello, Harlem Children's Zone
Michael Etzel, Bridgespan
Cheri Hayes, The Finance Project
Debbie Kim, Harlem Children's Zone
Lauren Scopaz, Harlem Children's Zone
Margo Wright, Harlem Children's Zone

These presenters participated in two webinars hosted by the Promise Neighborhoods Institute at PolicyLink in February and March 2011. Click here for the webinar series.

Additional Resources

A number of relevant publications from the Finance Project are available, including the following:

- *Sustainability Planning Workbook*; The Finance Project, www.financeproject.org/special/engage/workbook.cfm
- *Learning to Read*, 2011: The Finance Project.
- *Sustaining Comprehensive Community Initiatives: Key Elements of Success,* 2002: The Finance Project.
- *Thinking Broadly: Financing Strategies for Comprehensive Child and Family Initiatives*, 2002: The Finance Project.
- *Thinking Broadly: Financing Strategies for Youth Programs*, 2007: The Finance Project.
- *Snapshots of Sustainability: Profiles of Successful Strategies for Financing Out-of-School Time Programs*, 2007: The Finance Project.
- *Replacing Initial Grants: Tips for Out-of-School Time Programs and Initiatives*, The Finance Project.
- *Finding Funding: A Guide to Federal Sources for Youth Programs,* 2007: The Finance Project.
- *Making the Most of the American Recovery and Reinvestment Act of 2009: A Guide for Full-Service School Leaders and Community Partners*, 2009: The Finance Project.

Bridgespan also has a number of publications related to financing, including the following:

- *Planning a Promise Neighborhood Guide 2010, Bridgespan.*
- *Harlem Children's Zone Growth Plan: 2001-2009*, 2003: Bridgespan.
- *Costs are Cool: the Strategic Value of Economic Clarity,* 2003: Bridgespan.
- *Nonprofit Cost Analysis,* 2009: Bridgespan.
- *Executive Summary: Four Pillars of Growth for Youth-Serving Nonprofits*, 2010: Bridgespan.

Early Childhood Comprehensive Systems that Spend Smarter: Maximizing Resources to Serve Vulnerable Children, 2006: National Center for Children in Poverty, Columbia University.

Embedded Funders and Community Change, 2007: Chapin Hall, University of Chicago.

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[1] See *Finding Federal Funding,* the Finance Project, including formula and block grants, discretionary grants, and entitlement programs, at http://www.financeproject.org/special/irc/federalfundingguides.cfm