

B. Resource Development – Financing, Fundraising and Friendraising

Because many good resources are available for nonprofit resource development (see Appendices C and D), this chapter will only highlight some basic principles and issues that apply specifically to the HCH environment. It should be noted that the funding resources discussed here do not exhaust all possibilities. For example, the whole range of creative entrepreneurial approaches (setting up separate small businesses that help support the nonprofit organization) is not covered here. Within the parameters of organizational mission and values, there may be opportunities in that arena that HCH projects would want to consider.

The following questions will be discussed in this chapter:

- What kinds of resources do HCH projects need and how do you decide which to pursue?
- What general principles apply to seeking any funding or other resources?
- What general principles apply to seeking public funding?
- What general principles apply to seeking private funding?
- What general principles apply to seeking patient revenue?
- What general principles apply to seeking in-kind donations?
- Who should do HCH resource development?

WHERE DO RESOURCES FOR HCH PROJECTS COME FROM AND HOW DO YOU DECIDE WHICH TO PURSUE?

There are basically three kinds of resources included in this discussion – money, services and material goods – available from the following primary sources:

- **Public funding** – grants or contracts from government (federal, state, county, city, municipality)
- **Private funding** – grants or donations from individuals, foundations, corporations, churches, civic groups, etc.
- **Patient revenue** – from individuals or their insurance (usually Medicaid)
- **Private in-kind donations** – services or material goods from individuals, corporations, churches, schools and universities, hospitals and health care organizations, civic groups, etc.

Whatever mix of resources is chosen, it should be articulated in a development plan that flows directly from the strategic planning process. In fact, the development plan could easily be integrated into the strategic plan as part of the implementation section. The main principle to remember is to first determine what the program needs through the strategic planning process and then to seek the necessary resources. A common mistake is to develop programs or services based on what funding is available, sometimes known as “chasing grants.” This can result in compromising the mission or specific expertise of the organization. For example, just because funding is available to develop a program for first-time home buyers who have been homeless for a month, doesn’t mean the HCH project should set up such a program. However, if the strategic planning process identified a need for supportive housing for homeless substance abusers in recovery and funding becomes available for such a program, then it makes sense.

Although it can easily become an administrative nightmare (and usually does), HCH projects are most stable when they have a variety of different funding sources. Too much dependence on only one or two large grants puts the organization at risk if one of them doesn’t come through. Unfortunately, this can end up looking like a hodge-podge of incremental funding of partial services, if not done within the guidelines of the development plan and strategic plan.

Within the parameters of the plan it is also important to maintain a balance of risk and caution. A good administrator should have a sixth-sense about when it’s appropriate to take a risk and when it’s better to wait. It is a hard thing to do, but sometimes it is necessary to turn down funding because it would create a hardship for the project. For example, some

funding sources will not pay for administrative costs. The program you would be expected to implement with the funding might have incredible documentation and reporting requirements, as well as complicated reimbursement mechanisms, which could cause a problem if the project is already short-staffed in administration and finance. Or the program may require a level of staffing that the funding does not sufficiently cover and no other potential sources are available at that time. In either case, it may be wiser to wait. Many projects have found that biting off more than they can chew only causes long-term indigestion.

This does not mean that you never take any risks. HCH projects wouldn't survive if they weren't risk-takers. But the risks are calculated and should be at least supported by the urgency of the need and the chances of getting the funding at another time. An example of risk-taking occurs frequently when there is a window of opportunity - funding for new-start projects from a government source, for example. If those opportunities only occur every few years, it may be an appropriate time to stretch your limits and your resources to get a foot in the door for possible ongoing funding from that source. Otherwise, you may not survive to get another chance.

Funding sources also vary in their specificity about services or populations to be served. For example, PATH funding is specifically for people who are homeless and have a severe mental illness and will only support certain service activities, such as case management, outreach, and housing. Some states may have funding that is specifically for primary care services – medical or dental – or mental health or substance abuse services. Other funding, such as federal HCH funding, can be used for a variety of purposes as long as they fall within certain parameters. Although it may seem like flexible funding is always the best kind to have, sometimes the vulnerability of a particular population group merits a special “set-aside” to assure that they receive the necessary services. The key is to have an intelligent combination of both kinds of funding.

Projects should not limit their search for funding to the health care field. Funding may be available for other activities such as housing projects or programs for children that would fit into your strategic/development plan. Examples of guides you can turn to for investigating these possibilities are included in Appendix D.

WHAT GENERAL PRINCIPLES APPLY TO SEEKING ANY FUNDING OR OTHER RESOURCES?

Whatever support your HCH project is seeking – whether it be funding, in-kind donations, volunteers, free services or free publicity – a valuable rule to remember is to maintain a “friendraising” attitude. The friendraising approach views resource development as more than just finding money, it is making friends for the project. The friendraiser’s mantra is “If you set out to raise funds, you’re sure to fall short. If you set out to raise friends, the money will follow.”

Friendraising means using even grant proposals as educational tools to raise awareness about homelessness and about your project. Friendraising is community relations, involvement in coalitions and committees, making connections, contributing back to the community beyond the actual services that HCH provides. Friendraising is keeping funders, volunteers and other supporters informed of what you’re doing and how you’re using their support. Friendraising is never taking a supporter for granted, whether it’s a distant government agency or the supportive neighbor next door. Friendraising can result in “friends” coming to the rescue without being asked, when you most need them. (For example, a government agency may offer supplemental funds or an individual may send an unexpected large donation.) An attitude of friendraising will assure integrity for your resource development program (and is a lot more fun than begging!).

WHAT GENERAL PRINCIPLES APPLY TO SEEKING PUBLIC FUNDING?

Although public funding is often considered “soft,” in some ways it is more predictable than private donations. Unless a foundation, corporation or individual commits to eternal funding, there will be an end some day. Government funding is also not eternal, but there are ways to help it last longer. The key is being an effective advocate to make your case on an annual basis for why HCH projects should continue to receive funding. The chapter on “Advocacy” offers suggestions for how to appropriately make this case at all levels of government.

Beware of government funding for expanding services that is guaranteed to last only a year. If there is no chance of continuation funding, it may be better to let it pass. It can take a year just to complete hiring and get services off the ground. This doesn’t give enough time to establish a track record that could then be used to seek continuation funding elsewhere. Still, in many cases government funding may be your most stable source,

if appropriate grants and contracts are applied for and the ongoing work is done to maintain quality services and required documentation.

WHAT GENERAL PRINCIPLES APPLY TO SEEKING PRIVATE FUNDING?

Private funding can come from numerous sources, including grants or donations from individuals, foundations, corporations, churches, civic groups, etc. Foundations tend to support the start-up of new programs for a limited period of time, which is great for helping start something that might not be fundable through other sources until the program has a track record. But it isn't helpful when you're looking for continuation funding to maintain what you're already doing, which is where all HCH projects eventually end up (unless you keep dropping existing programs and adding new ones *ad infinitum*).

Availability of private grants and donations from individuals, corporations or foundations will vary from region to region. Some areas of the country have larger concentrations of both wealthy individuals and wealthy corporations, while others may be quite poor. Projects should be mindful of this when projecting how much they can expect from private funding sources.

Planned giving approaches to support nonprofit organizations, such as wills or charitable trusts, are viable options if an organization has the personnel to develop and administer such a program or is part of a larger organization that already has it in place. Many small HCH projects will not have the time, personnel, or expertise to implement such a program, but new projects should be aware of the possibilities.

Direct mail or telephone solicitations to seek private donations should be carefully weighed – does the amount you expect to raise significantly surpass what you spend in time, energy and reputation? While direct mail pieces can be skillfully crafted to reflect your project and your need in a tasteful way, telephone solicitation does not always come across that way, especially if you hire outside solicitors who don't know the program and can't answer questions.

Many other opportunities that present themselves may seem like gold mines at first, but deserve the same careful consideration. Fundraising events, including selling merchandise or putting on events, can be especially deadly if they are not carefully planned and well-staffed. It is always a good idea to track exactly how much the event cost, including the hard

costs of event location, supplies, mailings, publicity, program and ticket printing, and personnel time (including support staff), and the “soft” costs of staff burn-out and volunteer frustration. Unfortunately, once a complete accounting is done, there are times when the event only barely pays for itself. Unless they serve another purpose besides raising money – such as education regarding homelessness, celebrating an anniversary, or appreciating volunteers or employees – events should be approached with great caution.

One of the ways in which special events can be incorporated into the development plan is when another organization, such as a civic group, church group or professional organization, volunteers to actually put on the event for the project. However, there are potential dangers even in these situations, such as maintaining control over how your organization is depicted in public relations materials or media exposure. There should be a clear agreement with the volunteer organization that your HCH project has to review and approve any publicity or media statements before they go out. Although it is unintentional, many well-meaning volunteer organizations may misrepresent the services, structure or philosophy of an HCH project in ways that cause damage to its reputation, or simply misinform the public.

None of this is meant to discourage seeking private funds. In fact, private donations that are not designated for any particular purpose can be a lifesaver for a project that needs the flexibility to cover a shortfall in a particular area. Unrestricted moneys from donations or events may also be the primary source of funding for a reserve fund, to assure fiscal stability.

WHAT GENERAL PRINCIPLES APPLY TO SEEKING PATIENT REVENUE?

Federally-funded HCH projects are required to set up a sliding fee scale and to evaluate their clients' ability to pay. With few exceptions most people who are homeless qualify at the zero-pay level. Great care should be taken in operationalizing such a system. Many people who are homeless – especially those with severe mental disorders and those who have had negative encounters with other service agencies – may be reluctant to seek services if they perceive that they might be subjected to intense financial scrutiny and/or expected to pay. Good judgment must be practiced in balancing the requirement to ask the questions, including what financial documentation will be required, with the possibility of scaring off the people who most need services.

The financial evaluation process should consider possible third-party payers, especially Medicaid or Medicare. This is an area that is currently undergoing unpredictable changes, with many states applying for, and receiving, waivers from the federal government to deliver health care to Medicaid recipients through managed care programs. Despite this growing trend and the rush of health care organizations to jump on the managed care bandwagon, many HCH projects are inherently ill-suited for depending to a great extent on Medicaid revenues. Projects which serve populations that are more likely to be Medicaid-eligible, such as families with children and people with SSI, stand to gain by developing the capacity to bill for Medicaid. However, projects which serve a population that is overwhelmingly single adults without disabilities, who generally do not receive Medicaid, will want to calculate the cost-effectiveness of setting up the systems to bill because it may cost more to maintain the billing process than what is received in revenues.

Federally-funded HCH projects are expected to bill for Medicaid. Unfortunately, no matter what percentage of clients served by a federally-funded project actually receive Medicaid, the project will need to change many of its systems to accommodate the reimbursement mechanisms needed for billing state Medicaid or a managed care plan.

Projects that are part of larger health care organizations may have the benefit of an established billing system. However, they will need to be aware of the potential for these institutionally-based systems to interfere with the ability of HCH staff to develop and maintain relationships with their clients who are homeless, and find ways to lessen that potential for interference.

For information on Federally Qualified Health Center (FQHC) issues, cost-based reimbursement, the Prospective Payment System (PPS) or assistance dealing with Medicaid managed care, HCH projects may contact the National Association of Community Health Centers (NACHC) or their state primary care association (see Appendix E), and may also stay updated on these issues through the *HCH Mobilizer* of the National Health Care for the Homeless Council (see Appendix B for contact information).

WHAT GENERAL PRINCIPLES APPLY TO SEEKING IN-KIND DONATIONS?

In-kind donations consist of services or material goods, rather than money and are a specialty of many HCH projects. The amount of money

saved through the use of volunteer staff, services offered by other organizations or professionals in their own offices, donated supplies, equipment, buildings or vehicles is phenomenal. The same principle of proceeding with caution is in order, however. Too frequently people will offer services that aren't really needed or supplies, equipment or vehicles that are outdated or inoperable. Although it takes time, it's usually preferable to view a potential donation before it gets dropped off at your door, so that you can determine whether or not it's really useful. Volunteers also need to be carefully screened and matched with the appropriate job. Volunteers who behave inappropriately, perform substandard work or otherwise don't meet the criteria a staff person would be expected to meet, should be moved to another position or tactfully "fired."

Several national and state programs organize in-kind donations to assure that organizations get quality material that they really need. Some examples are through federal or state surplus programs, the "Gifts In Kind Program" or programs for discounted pharmaceuticals (see Appendix D).

WHO SHOULD DO HCH RESOURCE DEVELOPMENT?

There are several different options for determining who should develop resources for your HCH project. Larger organizations acting as sponsors for HCH projects may already have a development department and staff that will either guide the development activities or assist in them. Projects that are on their own will need to decide whether to have a designated position as a development staff person, have another person do it all (e.g., the executive director) or divide the duties up among several positions.

The ideal is to have one person serve as the coordinator of all development activities. Even in those fortunate situations where this is possible, it is still necessary to have other staff involved. For example, development staff can put together grant proposals if they have the goals and objectives and staffing plans from program staff and the budgets from financial staff, etc. Development staff also depend on the executive director to be out in the community doing a lot of the "friendraising" with local government officials, community leaders, etc., as well as maintaining the links with state and federal government offices to ascertain potential for future funding. Board members play an important role as well, bringing their personal and professional contacts and an understanding of the potential resources of different community sectors. Resource development, like everything else in HCH projects, is a team

effort. It does, however, make it a more effective team effort when someone has the responsibility to guide and organize the activities, as well as the time and skills to do it. You may think your project doesn't have the resources to afford to hire someone like that. Unfortunately, you may not have the luxury of not doing it. When primary responsibility for grantwriting and fundraising are added to the executive director's job or program director's job, some other important activities will not get the attention they deserve and the project may suffer as a result.