

8 chapter

Budgeting and Funding

Introduction

Finally the chapter you've been waiting for... how to find money to start and operate the CTC. Sorry, there is no magic formula. There is no guaranteed source of funding. But every CTCNet affiliate center is testament to the fact that it can be done, and every CTCNet affiliate will have suggestions about how your Steering Committee should proceed.

First comes the budgeting process. This must have two parts: funds needed for start-up, and funds needed for operation.

- **A start-up budget** details the one-time costs of setting up the CTC and the sources of funds that will be used to cover these costs.
- **An operating budget** details the ongoing costs of operating the CTC and the likely sources of funds that will be used to meet these costs.

In formulating the budget, the Steering Committee should start with its "ideal". It should then look carefully at the various sources of revenue available to the CTC. The ideal in budgeted expenses may have to be revisited and some compromises made if the gap between expenses and reasonably expected revenue is too high.

It will be highly advantageous to use spreadsheet software for the work of this chapter. Not only will a spreadsheet make the task somewhat less laborious, but it will provide an electronic record and template for recording "Budget vs. Actuals" during the year in preparation for developing the following year's budget. Exhibit 8-1 is provided as a prototype worksheet for projecting expenses; Exhibit 8-2 provides a prototype for examining sources of income. This chapter will cover these in order followed by an examination of potential sources of revenue and aspects of proposal writing.

First Steps

Use Exhibit 8-1 to set up a spreadsheet worksheet for your CTC. You will need only the column headings and the list of line items at the left to start with. The following sections of the budgeting part of this chapter will take you through the categories and suggest formulas that can be entered in appropriate columns. [Alternatively, make several copies of Exhibit 8-1, and use pencil and a hand-held calculator.]

You will note, on the worksheet, a right hand section labelled “Income Sources.” For the moment, these include only three columns: In-kind Start-up, In-kind Monthly and an “Other” column where you make notes about special funding sources.

The In-kind income columns are extremely important. Your CTC will inevitably depend to some extent on contributed services or goods. In each case where you have a pledged contributor or anticipate volunteered services, you will be making a matching pair of entries in the spreadsheet, one under expenses and one under income. The result is:

- a more realistic budget (you'd have to purchase these goods or services if they weren't contributed)
- evidence of support (fundors being approached for grants and/or dollar contributions will be impressed that you already have substantial support)
- a leg up on your income/revenue planning (see Exhibit 8-2: Income Projection Worksheet)

A Word about Start-up Expenses

Start-up expenses include the cost of getting everything ready before you actually open the CTC. There are two kinds of start-up expenses:

- Capital expenses and one-time expenditures such as renovations to the space, purchase of office equipment, furniture and furnishings, and utility deposits as required by utility companies such as electric, heat, phone, etc.
- Expenses that will continue through for the life of the CTC such as salaries and benefits, professional fees, space and utilities, equipment maintenance and replacement, software and computer supplies, promotion & outreach expenses, telecommunications costs, educational materials, and miscellaneous others.

The cost of hardware can be assigned to either category. If you are planning to acquire all of the hardware before opening the CTC, its cost is a capital expense, and operating expense is limited to equipment maintenance and replacement. On the other hand, you

may be planning to start with a small number of computer systems and peripherals and add as demand and resources indicate. In such a situation, it makes sense to consider hardware purchase among the on-going expenses.

On the worksheet, you will see a column headed “Start-up Amt.” As you work through the spreadsheet, section by section, you will enter appropriate expenditures in that column. When you have completed the entire worksheet, you will have a start-up budget as well as monthly operating amounts to be entered into the final model.

The Expense Projection Worksheet: Section by Section

Personnel

This section has four sub-sections: Salaried persons, hourly employees, benefits, and professional fees (on which no benefits are paid).

It is extremely important to include, in the list, all anticipated volunteer assistance. Volunteer services are important in-kind contributions. You probably couldn't operate your center without them. So they must appear in your budget. As noted above, whenever you enter an expense representing volunteer services, you will immediately post the same total for each on the income side in the appropriate In-Kind column.

Salaried

First, the formulas:

Under “monthly” (cell G5 in the model), write a formula (e.g., $E5 \cdot K5 / 12$) that multiplies the annual base by the percent of time and divides the result by 12. Copy that formula down the column for all salaried employees (lines 5-8 in the model).

Use a sum function to total the “monthly” and “start-up” columns on the line following the arrows (line 9 in the model).

Second, enter the information for each employee: name, position, % of time, annual base salary. The formula previously entered will provide the entry under “monthly”.

Third, if that employee is to be hired before the center is in operation (as is likely with either the Center Director or the Outreach Coordinator), determine from

your timetable (see documentation for Chapter 1) the number of months assignable to startup. In the “Start-up” column, enter a formula taking the monthly amount and multiplying by the number of months the person will be employed before start-up.

Example: The Center Director will be employed for two months before the CTC opens. The Outreach Director will work 20% time for the same period.

Salaried	Position	% Time	Annual base	Monthly	Start-up
Dale K	Center Director	100%	\$27,000	\$2,250	\$4,500
Lou M	Outreach Director	20%	\$24,000	\$400	\$800

Hourly

Here you will enter data regarding people who work on an hourly basis. These may be teaching assistants, part-time receptionists, clerical personnel, janitorial personnel, or other. It is likely that you will include here your regular volunteers in whatever category of service.

Your “monthly” formula (column G) will multiply the # of hours by the hourly rate. You will have to estimate the number of hours in a month (you can use 21 working days per month, or 4.2 working weeks to help you out). Again, you’ll want to put a sum formula at the bottom of both monthly and start-up columns.

Example: A part-time receptionist will be employed for 10 hours each week and will come in for two hours of training before the CTC opens. Line 12 in the model will show:

C	D	E	F	G	H
Chris C	Reception	42	\$6	\$252	\$12

Fringe benefits

Most benefits can be calculated on a percent of wages paid. On each line, you must find or determine the rate, and then in the monthly column, multiply the sum of your monthly salaries and hourly wages by the appropriate rate. In the

start-up column, use the sum of the start-up salaries and hourly wages and multiply by the rate.

List on the income side in the “In-Kind” column, any amounts under monthly or start-up that result from listing volunteers on the expense side. Remember that if you were actually paying for such services you’d have to pay for benefits as well. Thus by contributing services volunteers also contribute to “fringe”.

One of the items under benefits is “Vacation”. The CTC must have a vacation schedule for staff (see Chapter 4), and may have to hire temporary personnel in replacement. The cost of the temporary personnel is what goes on the Vacation line.

Professional fees

Lawyers, accountants, and other professional consultants usually charge a fee based on days. Others may charge by the hour. Honoraria, if and when paid, are usually for a particular meeting. Estimate the number of occasions (day, hours, or meetings) on each line for the month. Enter the rate. And again, in the monthly column, enter a formula that multiplies the number of occasions by the rate.

If the CTC has been able to acquire “pro bono” services (free services), enter the cost on the expenses side as if it had to be paid, and enter the same amount in the In-Kind column on the Income side.

It is likely that legal services may be high during start-up and lower during regular operations. Adjust accordingly.

Total personnel

Put a formula in the monthly and start-up columns that sums the four subtotals above. Be careful not to sum the entire column, just the subtotals.

Other Operating Expenses (OOE)

Site costs

For start-up amounts, unless major renovations to space are planned, one month’s expenses will probably be sufficient.

Even if the CTC has been given free or reduced-rent space, enter the going rate

for an equivalent square footage, and list the difference between that and what the CTC must pay in the In-Kind column.

Estimate the monthly utility costs from what others with similar space and load pay. If you are unsure, over-estimate to start with.

Water and sewage rates are usually obtainable from a local Building Department or Small Business Bureau.

In many urban locations, garbage cannot be hauled by the Department of Sanitation and a private contractor must be engaged.

Maintenance supplies include mops, buckets, sponges, brushes, toilet paper, paper towels, paper cups (for the water cooler), and cleaning substances. Try to get an estimate from an agency with similar space.

Security and insurance

Most of these costs are monthly or yearly. Divide any yearly cost by 12 for the monthly amount. Remember that if the space is used prior to opening, you must enter appropriate amounts for the start-up period.

Hardware & software

Even if the total complement of hardware is to be purchased as part of start-up costs and so will be listed in the worksheet section following Other Operating Expenses, some amount should be included in the budget for replacement and/or expansion. If you put down \$200 p. mo, you'd be estimating \$2400 per yr. for replacement expense.

Hardware maintenance should include the cost of any maintenance contracts on computers, printers, or other peripherals, or an estimate of what repairs will cost (this estimate should increase as the hardware gets older).

Software purchase for start-up will probably be larger than the monthly amount. Say 60 pieces constitute the planned library and the CTC intends to start with 48 of these. Put the cost of 48 in the Start-up column and the cost of one piece in the monthly column.

In estimating computer supplies, try to find an operating center of similar size, a stationery store, or a commercial venture that rents computers by the hour and ask for their help.

Office expenses

Equipment maintenance includes maintenance contracts on copiers, fax machines, or other office equipment. Equipment replacement is, as it is for hardware above, a set-aside toward the inevitability of replacing the piece of equipment.

Stationery refers to letterhead, envelopes, labels—anything printed with the name of the CTC. If named individuals are to be listed on stationery, don't order a year's supply all at once. The names may change. Some of this cost can be assigned to start-up expenses as can probably a month's worth of copier paper and miscellaneous supplies.

Communications

On-line service is the monthly charge the CTC will be paying for its Internet connections and will depend on the type and nature of that service.

Telephone includes monthly bills for calls and faxes. If a pay phone is to be installed in the CTC for participant use, there will be a monthly charge for that as well.

Postage and shipping must include estimates for regular mail, for dissemination of outreach and PR materials, and for overnight mail charges.

CTCNet

If you are reading this, it is a reasonable assumption that your CTC is, or is about to become, an affiliate member of CTCNet, so the costs of membership should be in the budget. The membership fee in 1997 is \$100 for non-profit CTCs, and \$250 for for-profit centers.

Costs for attending meetings should include transportation and, if needed, costs of substitute personnel. Regional meetings are usually half- or one-day affairs and within car or public transport reach. The annual conference will probably require air or train fare and a 3-night stay in conference lodgings.

Outreach and public relations

Media advertising includes ads placed in newspapers, on radio and/or television. It could also include posters, or placards in buses and subways. The CTC probably won't do much of this for real dollars, but may be able to get free advertising through public service announcements, the local press, or even the

Advertising Council. If such is the case, don't forget to match the estimated cost with an entry in the In-Kind incomes columns.

Brochure and newsletter estimates can be obtained from local printers. Others can include banners (or special exterior display), or any special materials (e.g. film processing costs) required for presentations at conferences or meetings.

Since the CTC will need to launch its outreach campaign during the start-up phase, a generous portion of outreach and PR costs can be listed under Start-up.

Educational materials

Books include reference works, texts devoted to specific hardware, software, or the Internet. If a focus of the CTC is job training or adult education, other books may be necessary.

Periodicals include magazines and newspapers. The CTC should have a judicious collection of magazines devoted to technology. Subscription to a local daily or weekly newspaper is also a good idea. Try for gift subscriptions and list both the expense and the in-kind contribution.

Travel and entertainment

Think about field trips for participants, reward dinners for volunteers, open house sessions at the CTC, regional or national conferences (in addition to the CTCNet conference) that staff should attend. Fund-raising may also call for travel, but CTCs should not have to wine and dine funders.

Other

Miscellaneous fees include bank charges, municipal fines for non-removal of snow, or any of the other little things that one finds one has to pay for.

Discretionary funds are usually estimated at a percent of operating expenses (3-10%) and are reserved for special emergency expenditures.

Total other operating expenses

As with personnel, enter totals in both monthly and start-up columns of the subtotals in all the categories under Other Operating Expenses. Again, take care to total only the subtotals, not the entire column.

Grand total personnel and OOE

The sum of monthly “Total Personnel” and monthly “Total Other Operating Expenses” will be the monthly operating “nut” for the CTC. To look at the estimate for operation of the CTC for a year, multiply this number by 12.

You will need a similar total in the Start-up column, but this will eventually be added to the One-Time Start-up Costs total of the next section.

One-Time Start-Up Costs

In all categories, continue to enter cost of donated equipment or services, and then make a similar entry in the In-Kind column.

Site preparation

Most of the items here will be contracted by the CTC.

Furniture

In this section, list for each item, the number of pieces and the estimated cost of each. Use a formula to find the total cost (multiply number of pieces by cost of each).

Office equipment

Follow the same procedure as with furniture, above.

Computer equipment

Again, follow the same procedure as with furniture in reference to all purchasable items. For cables and installation, you may have a contractual amount.

Totals

Insert a total for all the startup costs listed. You don’t have to worry about subtotals here; just total the column from Site Preparation on down.

Then, under GRAND TOTAL START-UP, sum the “Grand Total Personnel and OOE” and the “Total One-Time Start-up Costs” to get the Grand Total of Start-up.

CONGRATULATIONS! The hardest part of the worksheet is done! But now...

The Income Projection Worksheet

First steps

Using Exhibit 8.2, construct a spreadsheet (or make copies for pencil and calculator work).

On the TARGETS line, enter the Grand Totals for both Start-Up and Operating Expenses from your Projected Expenses worksheet. Note that the total Operating Expenses should be for a full year. If you haven't already done this, multiply the monthly grand total on the Expense worksheet by 12 and enter the result.

In-Kind

Under INCOME, the first category is In-Kind. All the subsections from your worksheet appear here. Enter the subtotals from the expense worksheet in the matching "Start-up" or "Operating" columns on the Income worksheet.

You've already put some figures in the In-Kind column. Total these now, both for Start-up and On-going Operations.

Center revenues

This is where you will enter money that the center earns through its operations. Notice that the Start-up column is X'd out.

If the CTC will not be charging any fees or soliciting any contributions from participants, this section can be skipped. Otherwise:

- enter the estimated number of members the CTC will have in a year
- enter the amount of the membership fee (add rows for different types of membership)
- in the "Operating" column, enter a formula that multiplies the number by the fee

Follow the same process for the remaining applicable items.

Government grants

Itemize here any federal, state, or local public funding for which the CTC is or will be applying. Enter the total amount requested, then a percent representing the likelihood of receiving the grant, and in the appropriate column multiply the amount requested by the rate of likelihood.

Funding can be sought from local, state, and federal funding sources. Usually, any government application process requires evidence of the CTC's track record. Furthermore, projects for which the CTC is requesting funds must closely match the funding criteria of the grant-making department. In contemplating application for government funding, a collaborative proposal with a more established non-profit, such as a college, university, or library, may be the preferred route.

Local and State

The community mapping process (see Chapter 2) should have identified specific local government agencies and their grant-making resources. The Steering Committee should inform itself about the potential of securing funds from any Community Development Block Grant program or other local initiatives.

Federal funding

Following are some of the grant-making federal agencies. Write requesting guidelines relating to grant availability. Congressionally-approved grant-making programs are also described in the Federal Register. A number of federal agencies maintain Web pages that describe funding availability.

- **U.S. Department of Housing and Urban Development (HUD).** The property owner of HUD-insured or HUD-assisted housing developments may apply to HUD for permission to use certain funds under certain conditions. Additional information relating to this type of HUD financing is contained in Exhibit 8-3. Other HUD programs offer funds under "Violence Prevention" and "Establishing Drug-Free Environments."
- **U.S. Department of Labor.** Offers funding primarily for employment and training programs and purposes.
- **U.S. Department of Education.** Funding for educational programs, educational research, library programs, adult education. There is a special office for Educational Technology. Be sure to research the Department's CTC program at this web address: <http://www.ed.gov/offices/OVAE/CTC>.

- **U.S. Department of Health & Human Services.** Grants for preschool and afterschool activities. Check with your local HeadStart and Even Start programs for more information.
- **U.S. Department of Commerce.** Offers grant support for electronic commerce. Maintains an annual competitive grant program under its National Telecommunications Information Administration (NTIA). Look for the Technology Opportunities Program (TOP) at <http://www.ntia.doc.gov>.

Foundation grants

Itemize here any grant applications the CTC is or will be making to private and corporate foundations. Follow the same procedures as with “Government Grants” above, entering the total amount applied for, a likelihood rate, and then the resulting product.

Although there are occasional exceptions, most private and corporate foundations award grants only to non-profit organizations that are qualified for designation as “not a private foundation” under IRS code section 501(c)(3). If the CTC has been incorporated as a non-profit, or if its parent organization already has 501(c)(3) status, then it should pursue grant funding.

Sources for information about foundations include:

- The Foundation Center is a national, nonprofit clearinghouse for information on private and corporate foundations and grants. The Center assists in matching foundation interests with nonprofit needs by publishing reference books on grantmakers and disseminating information on grants.
- The local public library should have manuals listing foundations by location, kind of activity, and level of funding. Begin with the foundations in your state. Ask the librarian for assistance in locating directories such as *1000 Foundations*, *Computer Grants Directory*, *Directory of Computer and High Tech Grants*, and *National Directory of Corporate Giving*.
- The yellow pages telephone book under “foundations.”
- Other neighborhood non-profit agencies that may be willing to share their grant-seeking experience.
- Local business associations (e.g., Chamber of Commerce) may make helpful local referrals.

Note: The United Way is a leading funding organization worth investigating. Many corporations, however, do not award grants to United Way fund recipients.

Business & industry cash contributions

Itemize here any cash contributions anticipated from local businesses.

- A supermarket chain may offer to match 5% of participating shoppers' purchases during a specific week.
- The local Chamber of Commerce may help organize a canvassing of local business people.
- A local restaurant may designate a special day when a percent of its sales will be donated.

Collaborations and subcontracts

The CTC may have identified other neighborhood agencies that are applying for grants, either federally or from private foundations. If another agency is the prime applicant but the CTC is included as a recipient of grant funds, the income potential should be itemized here.

Special events

Fund-raising events are labor intensive and the dollar return is usually not high, but they are extremely useful in heightening community awareness of the CTC and they also give many people the opportunity to support the CTC with relatively small contributions.

If the purpose of an event is to heighten awareness of the CTC and get a lot of people involved, begin a tradition of an annual event such as a bike trip, a walkathon for which people collect pledges, or an auction (where, among other things, a Web page designed by CTC members can be auctioned). Other ideas include a dance, a block party or a fair where CTC members can display and sell their work or where CTC members who are self-employed can sell their goods and contribute a percentage of the proceeds to the CTC.

Itemize on the income worksheet any such events that have been or will be planned during the year. Provide a goal amount and a likelihood rate and enter the product as a total in the appropriate column.

Direct mail

Every CTC should mount an annual or even semi-annual solicitation of funds by mail. Steering Committee members should not only be counted on for contributions but also for lists of their friends and associates.

The solicitation can be in the form of a letter relating some particularly touching CTC success story. A contribution form should be included giving suggested amounts. Space can also be provided for people to list friends and associates who should be added to the list. Records should be kept (use a database) of contributions received, and these should be acknowledged.

In the beginning both the list and the rate of return will undoubtedly be small, but in time this method should not only be reduced to a science (saving labor) but produce increasingly rewarding results.

A good target amount for a first year can be found by taking the number of people on the Steering Committee and multiplying by 100. The likelihood rate can then be estimated by a judicial guess as to how many Steering Committee members actually could or would contribute \$100.

Other

Itemize here any other fund-raising schemes the Steering Committee may have dreamed up, for example:

- Telethons
- Contribution boxes in local computer hardware and software retail stores
- Contribution envelopes mailed in the monthly “coupon package” often distributed locally by a direct mail agent (try to get that agent to cover the cost of the contribution envelope)

Note: Door-to-door canvassing of residences, while used by some, is not recommended, particularly in urban areas. It requires a large number of volunteers and an even larger supply of public relations materials.

Totals

When the last brainstorm has been squeezed out of the Steering Committee and all resources checked and double checked and all appropriate entries made, enter a total in each of the Start-up and Operating columns.

Margin (shortfall)

The amounts here are found by subtracting the TARGET amounts at the top of the worksheet from the TOTAL amounts you just entered at the bottom. If there is a positive result (margin), that’s good news. More likely is that a negative amount, or shortfall, will show up.

A shortfall figure means that the Steering Committee will have to revisit the Income worksheet and identify additional sources, or that it will have to revisit the Projected Expenses worksheet and make cuts in the budget, or both. Unfortunately, the task of budgeting for the CTC is not over until the expenses and income either zero out or a plus margin has been achieved.

The Grant Solicitation Process

Solicitation of funds and in-kind contributions involves both informal and formal means. When a Steering Committee member asks a business associate or friend to contribute funds or to make an in-kind contribution, this is informal fundraising. A request from a friend or longtime associate is a very effective means of raising money. Each Steering Committee member should be asked to be responsible for raising a set amount of funds, whether in cash or in-kind contributions.

Formal solicitation from private and corporate sources requires a four step process.

Step 1: Define the project.

Know exactly what you are requesting the funds for:

- What is the need being addressed?
- What is the goal of the program?
- How will the project achieve this goal?

Step 2: Research

Use the sources suggested earlier in this chapter to begin a database of potential funders that you will add to periodically as you get new referrals. Each record should contain the following information:

- Name of foundation
- Street Address
- Telephone and Fax numbers
- Email and Web addresses
- Name and title of suggested program officer
- Name of person who referred you to this program officer
- Grant-making areas (e.g., youth, elderly, educational technology, etc.)

- Geographic area of concentration (e.g., particular city or state)
- Range of grants awarded and size of average grant
- Preferred method of initial approach (e.g., phone call, letter, proposal)
- Deadlines for application
- Space to record your actions with their dates: (phone calls, letters, proposals submitted (with amount requested), acceptance/rejection, resubmission, etc.)

Next steps:

Call each foundation and ask them to send their latest annual report. If your research has not given you the name of a program officer to contact, this is a good time to ask for that, and any other information you still need.

After reviewing the annual report, call the identified program officer. Remember that foundations not only want to give their money away, but they are required to do so. Their job is to identify the best or most promising recipients, so more often than not they are willing to engage in preliminary explorations over the phone. In some instances, a program officer may even be willing to make a site visit before asking for a full proposal. In other instances, the program officer may be able to make recommendations of other foundations to which you can apply.

Step 3. Write, and send, the proposal

Proposal writing can be arduous and time-consuming. For this reason, it is helpful to have a “master-proposal” that can be sent to many foundations along with an individualized cover letter specifying the particular way in which the CTC program matches the foundation’s grant criteria.

The CTC Business Plan, outlined in Chapter 9, provides all the major elements of a master proposal, and, if word-processed and preserved on disk, can easily be cut or added to if a particular foundation or corporation has special requirements. Be careful to note on each foundation record the version or date of the master proposal sent. You do not want to send the same proposal twice to the same foundation.

Likely elements of a master proposal include (compare the above with the Program and Operations sections of the Business Plan):

- **A summary.** In the business plan, this is called the Executive Summary.

- **A narrative.** Five to six pages including the following parts:
 - statement of need—what issues the CTC is addressing
 - project description—what the CTC is and is trying to do
 - statement of capability—strengths and timetable for the CTC plan
 - staffing plan—who will do what
- **A budget.** Identical to the Financials section of the Business Plan.
- **Attachments:** Resumes of senior staff, a roster of the Steering Committee, press clippings, letters of support, and brochures or PR materials, a copy of the CTC's 501(c)(3) designation from the IRS, and, if the business plan itself is not to be used as the master proposal, a copy of that document.

Step 4: During the review process:

If you have not yet met with the program officer, call a week to ten days after sending the proposal to request a meeting.

Inform all members of the Steering Committee that the proposal has been sent to this foundation and ask them to pursue any contacts they may have with the foundation's officers or board.

Although the foundation may take months to consider and respond to your proposal, keep the program officer informed by sending press clippings, news of other grant awards or equipment donations as they occur.

Invite the program officer to any open house or special event that the CTC is sponsoring.

After acceptance :

Upon notice of acceptance, write a thank-you letter.

Upon receipt of grant funds, write another thank-you letter. Continue sending news clipping and invitations to special events. Be diligent about meeting deadlines for requested reports.

About six months into the grant period, call and ask about procedures for reapplication.

After rejection:

Call the program officer and try to find out why the proposal was rejected. Ask how the proposal could have been more effective.

Ask when the CTC is eligible to reapply. Write a note thanking the program officer for taking the time to talk with you. Continue sending news clippings and invitations to special events.

Soliciting In-Kind Donations

The process is not dissimilar. Corporate sources can be added to your foundation database. Try to establish phone contact before sending a proposal. Discuss your needs and try to establish if a real potential exists.

Suppose you have been asked to send a proposal requesting a hardware donation. Prepare a plan that includes the following:

- a statement of how the software and hardware will benefit your program (for example, it might facilitate educational tasks, administrative tasks, or public access to the CTC);
- a description of minimum acceptable standards, the number of hardware systems you need and can physically accommodate, required peripherals, operating systems, and other software required for the intended use;
- the number of staff able to use the equipment and the number remaining to be trained;
- sources of assistance in providing staff development, program development, and technical assistance; and,
- the amount in the budget to support the above activities.

Once the contribution has been committed, get details of any donation from the donor. Such details include:

- the name, title, address, and phone number of the donor;
- how the donated systems and software differ from the plan with respect to type, components, memory, practicality of use, need for staff development, and so forth;
- the working condition of the hardware;

- the legal right of the donor to give the CTC the software and the legal right of the CTC to use it; and,
- the donor's willingness to pay for the delivery of the equipment to the CTC.

If the donated equipment is several years old, before acceptance, research the availability of repair services and spare parts.

With regard to any in-kind donation of hardware, do not agree to provide the donor with a written dollar evaluation of the donation. Do not accept a lower grade or earlier model than that which the CTC already owns unless there is a specific use for it. Finally, do not accept equipment in poor condition unless the funds are available to repair it and such repair will be cost effective.

A Word on Sustainability

Funders, users, and neighborhood institutions are all going to want to know that what the CTC is asking them to invest in or to partner with is going to be “sustainable” or around beyond the first year. When developing the CTC's budget and the financial plans sections of the business plan, be sure to emphasize how sustainable the Center will be after start-up and the first year's operations. In fact, as described in the *Financial Plans* section of Chapter 9, the CTC will have to provide annual budgets for the first three years of operations to reflect “sustainability.” Obviously, multi-year commitments of money or in-kind contributions make the CTC more sustainable and will provide everyone with a degree of comfort that their investment will prove worthwhile.

Documentation

The process a CTC uses to solicit funds needs to be carefully documented.

- The spreadsheets created for estimating expenses and income are actually so important that the CTC should preserve them in several ways: on a hard drive, on an archive disk, and in hard copy.
- Research on corporate and private foundations should result in a database.
- Lists needed for canvassing local business and industry people should be maintained.

Exhibit 8-2: Income Projection Model

	A	B	C	D	E	F	G	H	I
1	PROJECTED INCOME SOURCES								
2								Annual	
3	TARGETS:						Start-up	Operating	Notes:
4		(amts from Exp. Wksh. ->)							
5									
6									
7	INCOME								
8		In-kind							
9		Personnel							
10		Site Costs							
11		Security & Insurance							
12		Hardware & Software							
13		Office Expenses							
14		CTCNet							
15		Communications							
16		Outreach & PR							
17		Educational Materials							
18		Tvl & Entertainment							
19		One-time Site Preparation						XXXXXX	
20		One-time Furniture						XXXXXX	
21		One-time Office Equipmt						XXXXXX	
22		One-time Comp. Equipmt						XXXXXX	
23									
24		Center Revenues	#		at/per				
25		Membership fees					XXXXXX		
26		Group fees					XXXXXX		
27		Voluntary contributions					XXXXXX		
28		Other					XXXXXX		
29									
30		Government Grants	Requested		Likelihood				
31		(itemize)							
32									
33									
34		Foundation Grants	Requested		Likelihood				
35		(itemize)							
36									
37									
38		Business & Indust. cash contrib.							
39		(itemize)							
40									
41									
42		Collabs and/or Subcontracts	Requested		Likelihood				
43		(itemize)							
44									
45									
46		Special Events							
47		(itemize)							
48									
49									
50		Direct Mail							
51									
52									
53									
54		Other							
55		Egghead contribution box							
56		(Itemize other)							
57									
58	TOTALS								
59									
60	MARGIN (SHORTFALL)								

Exhibit 8-3: *HUD Financing for CTCs*

A property owner may use the following funding methods, with HUD approval, to fund CTC activity:

- Funds borrowed from a financial institution. The owner may obtain a loan from a lending institution in order to buy hardware and pay for other start-up costs. The loan cannot be secured by the property. Surplus cash or other outside sources may be used to repay the loan. A rent increase cannot be required to support the loan.
- Residual Receipts Account. The owner may be able to use funds from the Residual Receipts Accounts to fund a CTC to the extent that HUD determines that these funds are not required to maintain the habitability of units or to meet other building needs.
- Owners equity. Owners of limited distribution property can increase the amount of their initial equity investment (and, in turn, the yield on their distribution) to the extent that they invest their own, non-repayable funds in the CTC. A rent increase, however, will not be approved to provide for additional yield.
- Funds borrowed from the Reserve for Replacement Account. The owner may be able to use funds from the Reserve for Replacement Accounts to fund a CTC to the extent that HUD determines that these funds are not required to meet anticipated repair and replacement needs of the property.
- If this source of funds is selected, then a scheduled repayment plan also must be submitted illustrating how the Reserve for Replacement Account will be replenished consistent with future replacement needs which have been identified.
- Rent increase. Owners of properties where rents are set under the Budgeted Rent Increase Process may request an increase to cover the costs of a CTC. These increases will be approved at HUD's discretion subject to availability of funds.
- Requesting a special rent adjustment. Under certain, specific situations established by HUD (see Reference Materials), the maximum monthly rent for units under a Section 8 contract may be increased to meet the costs of a CTC.

HUD will permit its funds to be spent on:

- computer hardware. This includes computers, wiring, network servers, special phone lines, and training costs.
- computer software. This includes software costs for multimedia applications, educational and job training skills, office and business skills such as wordprocessing and database programs, and access to the Internet.
- distance learning equipment. Video casting and other distance learning equipment may be funded by HUD.
- Security measures. This includes costs necessary to protect the hardware and software from theft or vandalism. Insurance coverage for the CTC may also be a permitted use of HUD funds.
- space use/retrofit. Minor retrofit costs are allowed.
- On-Line Service Coordinator (OLSC). The salary for CTC staff to perform the following tasks is an eligible expenditure of HUD resources:
 - develop programs;
 - develop a computer literacy program for all property residents;
 - coordinate and train volunteers;
 - work closely with the student teacher and a teaching aide;
 - keep logs of class attendees and follow-up with those who may not be attending on a regular basis; and,
 - work closely with a Social Services Service Coordinator (SSSC) who will devote at least 10% of his/her time to the CTC.

[Note: HUD's Web page is located at <http://www.hud.gov>]

Exhibit 8-4: *Acquiring Surplus Government Computer Equipment*

[The following is extracted from the Neighborhood Networks' *A How To Manual: Your Online Guide*, sponsored by the U.S. Department of Housing & Urban Development.]

Federal government property may be acquired by nonprofit, unaccredited educational organizations through two separate channels. The first and least complicated source is the Department of Defense (DoD). Surplus military personal property, which at times includes computers, is sold by DoD. Sales typically are made by bid, with sales awarded to the bidder making the bid deemed most advantageous to the government. The second source is the General Services Administration (GSA), part of the Executive branch of the federal government, which has been authorized to administer donations of surplus federal government personal property to state and local governmental bodies as well as to qualified nonprofit institutions. Although the property donation program is administered by the GSA, all donations are made by state government agencies under a federal program administered by the GSA. The property donated through the GSA consists of personal property in the possession of federal agencies for which that agency no longer has use, and which no other agency has requested. Surplus property available for donation typically includes personal computers.

Authority for Sale of Surplus Property by the Department of Defense

Authority for Sale of Surplus Property by the Department of Defense stems primarily from the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C.A. 471, the Act of August 10, 1956, 10 U.S.C.A. 7305, and the Act of September 6, 1958, 42 U.S.C.A. 1892.

Regulations Governing the Sale of Property by the Department of Defense

Sales of DoD surplus property will generally be made through a competitive bidding process; bidders are generally required to make a deposit of 20% of the bid at the time of bidding and successful bidders may not take possession of the property until full payment has been made. 32 CFR § 736.3(b).

Bidding for Surplus Government Property

Lists of available property and sales information are mailed to persons and organizations registered with the Department of Defense's Bidders Control Office. Automated registration for the Bidders Control Office's mailing list can be accomplished by calling (800) 222-3767.

Authority for Donation of Property by the General Services Administration

Authority for donation of surplus personal property by the General Services Administration to nonprofit organizations stems from federal statutes, most particularly the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C.A. § 484. Section 484(j)(1) authorizes the GSA to donate surplus personal property in the possession of any agency within the executive branch to state agencies. State agency performance and organizational requirements are set forth in § 484(j)(4). Under § 484(j)(3), the state agencies are to donate property received from GSA to public agencies and nonprofit educational or public health institutions or organizations exempted from federal tax under § 501 of the Internal Revenue Code. Section 484(j)(3) further requires the GSA to “give special consideration” to requests from eligible donees, submitted through state agencies, for “specific items of property.” State agency property donations are to achieve “fair and equitable distribution of property... based on the relative needs and resources of interested public agencies and other eligible institutions [as well as] their ability to utilize the property.” § 484(j)(4). Finally, § 484(j)(1) authorizes the GSA to establish regulations for the donation of property under the authority of § 484.

Regulations Governing Donation of Property by GSA

GSA regulations provide that government property becomes donable surplus property only after being offered to all government agencies and not accepted for use within a specified time period. 41 CFR § 101-43. In addition, abandoned and forfeited property in the possession of the federal government (e.g., property confiscated from persons convicted of crimes) that is not appropriated for use by the government is also donable property. 40 U.S.C.A. §§ 304f m; 41 CFR § 101-48.

GSA requirements for state agency operational plans are contained in 41 CFR § 101-44.202. Under the regulations, state agencies are free to impose conditions (e.g., use conditions and limitations) on the receipt of any item of donated property with an original cost of \$5,000 or more and may impose special handling or use restrictions on any item of donated property 41 CFR § 101-44.202(c)(6). Under 41 CFR § 101-44.202(c)(10), state agencies are required to periodically review donee compliance with the terms and conditions imposed on the receipt of donated property items with an original cost of \$5,000 or more. Section 101-44.202(c)(4) requires state agencies to retake possession of donated property not placed in use or removed from use by the donee within one year of receipt. Use restrictions will be imposed on property in accordance with the nature of the property and the donee organization’s primary operations, as discussed below in Donee Eligibility.

Under § 484 and the GSA regulations, there is no requirement that state and local governmental entities receive a preference in the donation of property, and the state agencies are required under 41 CFR § 101-44.202(c)(8) to distribute donable property in a fair

and equitable manner among all eligible donees regardless of their private or public status. Section 101-44.202(c)(8) further requires state agencies to select property specifically requested by eligible donees, and to arrange for shipment directly to the donees unless it is impractical to do so. See also, 41 CFR § 101-44.205(e) (requiring direct shipment from the federal agency in possession of the property to the donee whenever practical to do so). Neither GSA or state agencies are permitted to charge donees for donated property, but in certain circumstances, donees will be required to reimburse reasonable shipping and handling costs. 41 CFR § 101-44.305; 41 CFR § 101-44.202(c)(5).

Donee Eligibility: Educational Institutions

GSA regulations provide that eligible donees include nonprofit educational institutions or organizations. 41 CFR § 101-44.207(d). For the purposes of determining donee eligibility, a nonprofit institution or organization or institution that (1) is exempt from income tax under section 501 of the Internal Revenue Code, and (2) does not pass net earnings on to any shareholder or other individual.

Further, a donee educational institution is eligible only if the property is used “for the purposes of education.” 41 CFR § 101-44.207(d). This means that the property must be used in one or more “programs to promote the training, general knowledge, or academic, technical and vocational skills and cultural attainments of individuals in a community or other given political area.” 41 CFR § 101-44.207(a)(9). This definition includes, but is not limited to, accredited schools. 41 CFR § 101-44.207(a)(9). An educational program that is not an accredited school will qualify for donation if it meets one of the following criteria: (1) the program is recognized and approved by the state department of education or other appropriate authority if the state does not have a recognized accrediting authority, (2) the program’s instruction is accepted for credit by “three accredited or state-approved [educational] institutions”, (3) “it meets the academic or instructional standards prescribed for public schools in the state; i.e., [the program] is devoted primarily to approved academic, vocational (including technical or occupational), or professional study and instruction, [and] operates primarily for educational purposes on a full-time basis for a minimum school year...and employs a full-time staff of qualified instructors”, (4) the program has received a research grant “by a recognized authority such as...the National Institute of Education... or similar national advisory council”, if there is not an official state accrediting authority, and the program meets requirements (2) and (3) above, 41 CFR § 101-44.207(a)(2), or (5) if the program qualifies as a child care center, which for the purposes of donee eligibility includes nonprofit organizations “where educational, social, health and nutritional services are provided to children through age 14 or as prescribed by state law, and which is approved or licensed by the state or other appropriate authority as a child day care center or child care center.” 41 CFR § 101-44(a)(3).

Under 41 CFR § 101-44.207(d), “for the purposes of education” may included uses “for a related or subsidiary purpose incident to the institution’s overall program [as long as

it is] used for the primary educational...function for which the activity receives donable property and not for a nonrelated or commercial purposes.” Potential donees should note, however, that under 41 CFR §101-44.202(c)(9), state agencies may establish additional eligibility criteria, and that under 41 CFR § 101-44.207(e) eligibility determinations are to be made by the state agencies and not by the GSA. Evidence of donee qualification will be requested of donees by the state agencies, as they are required to keep this information on file, and the state agencies are permitted to require donees to submit statements of their property needs and resources. 41 CFR § 101-44.207 (f)-(g).

In cases where programs cannot meet donee qualification criteria because (1) the program is newly organized and has not yet begun activities, completed construction of its facilities, or received accreditation or approval from a state authority, or (2) there is not an authority which can approve, accredit or license the program, state agencies are permitted to grant conditional eligibility on receipt of letters form state or local authorities which the state agency designates, stating that the donee “otherwise meets the standards prescribed for approved, accredited or licensed institutions and organizations.” 41 CFR § 101-44.207(i). However, conditional eligibility will not be granted prior to establishment of tax-exempt status under section 501 of the Internal Revenue Code.

Eligibility must be maintained for further donations, which will require periodic updating of the information provided to the state agency. 41 CFR § 101-44.207(h). If eligibility is not maintained, the donee may be required to surrender donated property under 41 CFR § 101-44.202(c)(4), 101-44.208, which requires state agencies to retake possession of donated property or take other corrective action if it is not placed in use or removed from use by the donee within one year of receipt, or if the property is used in a manner different from the purpose for which the donation was approved.

Applying for Donations of Surplus Property.

Applicants are required to submit their applications to their respective state agencies for determination of donee eligibility and must work through their respective state agencies for acquisition of donated property. Because the state agencies are free to establish their own eligibility requirements and use restrictions in addition to the ones listed above, each state agency is likely to have its own unique eligibility requirements, use restrictions and application procedures. Applicants should contact the office for the state in which they are located to obtain application and donation information as well as application forms. [Please email CTCNet at sronan@ctcnet.org for assistance finding the appropriate office in your state.]