

United Way revises way funding is disbursed

Competition, demands from donors spur move

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The United Way has been synonymous with charitable giving for decades, the first and last words in American philanthropy. Its early model of soliciting pledges direct from the workplace, a few dollars each pay period from middle-class employees, became the gold standard in fundraising.

Last year alone, the United Way reeled in almost \$4 billion.

But much has changed since three ministers and a rabbi joined together in Denver in 1887 to fight hunger, disease and other social ills. The 21st century push toward accountability and transparency among the nation's premier charities – plus rising competition and demands from donors for measurable results – is forcing United Way chapters to rethink the way they dole out donations.

Most of the money the local United Way receives is targeted by donors for specific organizations. But the agency does get to choose how to allocate about 15 percent of its funds a year. In the future, those funds will go to three specific needs: homelessness, child-abuse and programs to help people with life skills.

United Way officials, who have seen contributions drop in the last five years, say the change is an attempt to be more strategic in resolving issues that have long confounded community leaders.

“The United Way of San Diego County needs to make a difference in San Diego,” said Douglas Sawyer,

A steady drop

Donations to the United Way of San Diego County have decreased in each of the past five years, prompting the agency to adopt a new strategy for distributing undesignated money.



SOURCE: United Way of San Diego County

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president and chief executive of the chapter. “The only way to do that is to concentrate our resources.”

United Way chapters adopting the new formula have seen donations rise an average of 6 percent a year, Sawyer said. Those keeping the traditional model have been losing an average of 0.5 percent annually, he said.

In San Diego County, the decline was far worse. The 2005 campaign raised \$22.2 million, a 6.1 percent drop from the previous year.

“This is not an effort to just reshuffle the deck,” Sawyer said. “If we do it right, we'll be able to solve more problems in San Diego.”

Vision councils

The United Way board and executive leadership spent most of the past year designing the new policy. Staff members held community meetings and met with local charities to explain the transition and to offer tips on how applicants might qualify for future funding.

But many nonprofits that have received United Way grants to supplement their budgets will no doubt be left out.

In Orange County, where the new allocation model went into effect July 1, dozens of nonprofits that were denied grants – including the Red Cross, Salvation Army and Boy Scouts – complained bitterly, and quite publicly.

San Diego nonprofits are already thinking about how their niche programs might qualify under the new rules.

“I'm hoping that under their economic-development arena we have an opportunity to participate in a more meaningful way,” said Mark Berger, who runs Partnerships With Industry, a Mission Valley nonprofit that finds work for disabled clients and receives the minimum grant of \$5,000 a year in United Way support.

“Our budget is \$5.1 million,” he said. “It's not a big deal, but when you're raising money, \$5,000 is not an insignificant amount to lose.”

The United Way of San Diego's plan to zero in on homelessness, child abuse and life skills was born out of community dialogues and research, Sawyer said.

Each of the three focus areas will be overseen by a panel of experts, academics and volunteers called vision councils. United Way's leaders hope to expand to five and perhaps seven focus areas within a few years.

Next spring, when it's time to distribute the money raised during the upcoming campaign, the councils will consider grant applications from all San Diego area non-profits – not just the 134 agencies now certified to receive United Way funds.

Applicants will have to show how the money will reduce child abuse or homelessness or how it will help teach disadvantaged people life skills. The United Way expects to have more specifics about programs they will fund after the vision councils are appointed.

“We want to get to root causes. We don't want to be the entity that puts Band-Aids on problems,” Sawyer said.

'See what happens'

The competition for donor dollars is much greater today. There are about 8,000 nonprofits in San Diego County that receive \$10 billion a year in revenue.

The San Diego economy has changed in recent years, too. The number of large employers has dwindled since the recession of the early 1990s, when General Dynamics departed and other defense contractors folded. The United Way is no longer able to enroll as many donors in a single effort as it once could.

Not only that, United Way of America and many of its chapters never fully recovered from a 1991 scandal that saw the national chief executive sentenced to seven years in prison for spending \$600,000 on girlfriends, first-class travel, chauffeured limousines and pricey hotels.

After a wave of negative publicity, the number of United Way chapters dropped from 2,100 to almost 1,400 today. Donations plummeted, too.

The United Way of America collects annual dues from its member agencies in exchange for branding benefits, training and other services, but it has no role in running the chapters.

Prior to the national scandal, the United Way/CHAD drive in San Diego County was raising \$30 million-plus a year, Sawyer said – about \$8 million more than it brought in last year.

Of the \$22.2 million collected in 2005, the United Way's review committee had discretion over \$2.9 million in undesignated funds, which was spread among 134 certified agencies.

Most of money collected went to specific organizations designated by donors; participants in the Combined Federal Campaign that targets federal employees; the Combined Health Agencies Drive (CHAD) that supports 26 health-related nonprofits here; and to United Way salaries and expenses.

Sheila Consaul, the United Way of America national spokeswoman, said virtually every United Way chapter planned to convert to the new allocation model within the next few years, so local officials need to prepare their nonprofit communities for the change well in advance.

“It's not a cold-turkey kind of thing,” she said. “If they're not going to fit into the focus areas, they need time to find other opportunities.”

One organization watching the United Way transition closely is 211 San Diego, which operates a Web-and telephone-based information service that lists social services available throughout the region.

A spinoff program of the United Way that only recently organized as its own tax-exempt agency, 211 San Diego has been collecting more than \$100,000 a year in core funding from its former partner.

Executive Director Sara Matta is keeping her fingers crossed, because the 211 service does not automatically fall within the scope of the three focus areas.

“At this moment, they're funding about 5 percent of our budget, so that's a dimension we're concerned about,” she said. “But we've had a close relationship with United Way . . . We need to see what happens.”

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