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A Nonprofit Is Buffeted By Change

Literacy Group Fears New Financing Plan

By STEPHANIE STROM

Changes in the way the federal government plans to allocate money to increase and improve literacy pose a severe threat to one of the country's best-known nonprofit groups, Reading Is Fundamental.

Known commonly as RIF, the organization, which provides free books to needy children and has been promoted in memorable public service announcements by celebrities like Carol Burnett and Shaquille O'Neal, stands to lose all of its federal financing, which accounts for roughly 75 percent of its annual revenues.

"We are looking at having to completely reinvent ourselves," said Carol Rasco, chief executive of RIF, which has received an annual grant from the Department of Education for 34 years.

Under the federal budget proposed for the 2011 fiscal year, the Department of Education has proposed pooling the money it allocates to RIF, another nonprofit organization, the National Writing Project, and five of its own grant programs, and instead distributing it to state and local governments. Under that plan, RIF and the writing project would have to compete state by state for federal funds.

"One of the things that's challenging about this is that the administration keeps talking about how much it wants to support innovation and program and ideas that it can help scale up," said Sharon J. Washington, executive director of the writing project. "But if you are an organization that has already been built with federal investment over time,

what do you do?"

A similar competitive approach to awarding \$4 billion in federal education grants to states has been criticized by some states, which complain that it may not be worth the amount of time and effort needed to apply.

David Thomas, a spokesman for the Education Department, in e-mailed responses to questions, defended the new method of allocating money for literacy programs, saying it would be "more likely to drive improvements in student

achievement."

"This proposed approach will give state education agencies and local education agencies greater flexibility to focus on their areas of greatest need and will be more effective than the narrow categorical programs," Mr. Thomas said.

He said RIF and the writing project could gain access to federal financing by forming partnerships with those agencies.

Ms. Rasco and Ms. Washington said that applying for grants from individual

states would add enormously to their administrative costs. "This really means that we would have to hire people to write grant applications tailored to the specific requirements of each state," Ms. Rasco said. "That's money we otherwise would be using to buy books for kids."

Clara Miller, chief executive of the Nonprofit Finance Fund, which works to help nonprofit groups obtain and manage finances, said RIF and the writing project would have trouble sustaining

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SUSAN POAG/THE TIMES-PICAYUNE, VIA ASSOCIATED PRESS

Kindergarten students and middle school volunteers chose books in January at a Reading Is Fundamental event in Algiers, La.

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their operations if the government's new way of allocating money was implemented.

"They don't have a huge amount of cash on hand that would buy them some time to change their business model to get different types of funding," Ms. Miller said. "Switching from a program that is almost fully funded by government to one that is privately funded, or where you would be competing on a state level, that's a new business model, and it will need time and investment in new skills."

She said that putting long-standing organizations through such a complete overhaul so abruptly might not make sense from the taxpayer's standpoint either. "The thing that's getting lost here is that the government has already built whole programs in these organizations that it is now throwing out," Ms. Miller said. "That's kind of wasteful, unless they're saying buying kids books is a bad idea."

Ms. Washington said that several administrations, including George W. Bush's, had suggested cutting financing to the writing project since it began in 1974, but that Congress had continued to support it.

Typically, major foundations planning to end their support of programs provide money known as "tie-off grants" over two or three years to allow organizations to find new supporters.

Ms. Washington said the way



PRNEWSFOTO/NATIONAL WRITING PROJECT



PAUL HOSEFROS/THE NEW YORK TIMES

Sharon J. Washington, left, of the National Writing Project, and Carol Rasco of Reading Is Fundamental.

Reading Is Fundamental says it may not survive.

the Obama administration had proposed pooling the money for literacy, rather than reauthorizing specific grants, would make it almost impossible for Congress to simply reauthorize grants to RIF and the writing project. "That's what's quite frightening to us," Ms. Washington said. "If we cease to receive direct funding, it will effectively kill us."

The writing project's federal

grant in the current fiscal year was about \$25 million, which accounted for more than 90 percent of its revenues. Its local branches raise a similar amount from private sources, but that money stays with them.

RIF's local affiliates raise about \$6 million, Ms. Rasco said, which goes almost entirely to buying more books.

The federal grant helps the local organizations with their fundraising, Ms. Rasco and Ms. Washington said.

"If the government no longer values our program enough to give us a grant," Ms. Washington said, "other donors are going to ask why they should value us."