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## **Private Social Welfare Initiative Draws Scrutiny Touted as Model for Bush Plan, Woodson's D.C. Center Illustrate Concerns**

*By David B. Ottaway*

From a well-appointed, seven-room suite on Washington's 16th Street NW, Robert L. Woodson Sr., the founder of the National Center for Neighborhood Enterprise, is seeing his long-held vision of social welfare take shape under the Bush administration.

For 20 years, Woodson has argued that community and "faith-based" organizations can be more effective than federal agencies in battling such urban problems as violence, drug addiction and homelessness.

His nonprofit NCNE has guided dozens of grass-roots groups across the country and publicized the work of what Woodson calls "modern-day Josephs": ministers and community leaders who, like the biblical slave who advised the pharaoh on how to save Egypt, perform social service miracles in the most desperate U.S. neighborhoods.

Woodson contends that bloated government bureaucracies drain money that could be spent on services. "I say give money directly to poor people," Woodson declared during a 1985 attack on federal welfare programs at the Heritage Foundation, a think tank in Washington. "Let them make choices."

Woodson's views have found favor with conservative Republicans, and he helped influence the Bush administration's effort to provide more federal assistance to faith-based and charitable groups. John J. Dilulio Jr., head of the new White House Office of Faith-Based and Community Initiatives, said Woodson helped spotlight "perverse government rules and regulations" that have long discriminated against federal funding for charitable initiatives.

But as congressional Republicans last week mounted a major push for Bush's plan, an examination of the finances and record of Woodson's NCNE illustrates some of the key concerns in the debate about the effectiveness of the president's "charitable choice" proposal.

Social scientists say there is no empirical proof that programs run by religious or charitable groups do a better job reaching those in need than government ones do. More important than a group's religious affiliation is whether it "has the

institutional capacity" to provide sound financial management, a functioning board of directors and a professional staff, according to a recent study of 81 groups in 27 states conducted by the Milton S. Eisenhower Foundation, a nonprofit service organization.

Hundreds of religious and community-based programs run by nonprofit groups could compete for federal dollars under Bush's proposal. But watchdog groups have urged caution in evaluating a nonprofit organization's management and services. High overhead costs and excessive salaries may call into question the group's effectiveness, they say.

Instead of government funding, Woodson's NCNE has depended heavily on grants from conservative foundations since 1981, when it began offering technical advice and passing along financial assistance to struggling neighborhood groups across the country.

But recently, with Republicans citing NCNE as a model of grass-roots leadership, its federal funding has surged. Last year, Republicans tried unsuccessfully to have NCNE designated to administer a \$25 million Justice Department youth program, despite concerns within Justice that the center lacked the expertise to manage a large federal grant.

Most of the more than \$18 million that NCNE has received in foundation and federal funds since the early 1980s has gone toward consultants, salaries, parties, conferences, rent and travel, a review of the group's finances reveals. In 1999, for example, only 14 percent of its \$2.2 million in private and federal funding was passed on directly to neighborhood groups, according to Internal Revenue Service filings.

Most of NCNE's grants to neighborhood groups were less than \$10,000, and some were so small that group leaders told The Washington Post they were at a loss to remember them. A leader of Concerned Brothers and Sisters of Benning Terrace, a group fighting gang violence in a Southeast Washington public housing complex, said he could not recall the \$50 grant to his group, the smallest one recorded in NCNE's tax filings that year.

But Woodson said the size of NCNE's grants is not as important as the technical assistance the group offers in identifying innovative grass-roots programs and bringing public and private support to the programs. He estimates that NCNE has used its \$18 million in funding to leverage \$200 million for community development programs.

NCNE's overhead costs are not excessive, he said, because the center is a "service organization" offering guidance to more than 20 groups nationwide.

Woodson did not specify the overhead percentage, preferring to highlight NCNE's

results instead. "If somebody is saving lives and they've got a 30 or 40 percent overhead, I don't care. We get hung up on how much somebody is spending. . . . I think we need to focus more on outcomes," he said.

Lisa LaMontagne, communications manager for the National Center for Nonprofit Boards, said overhead costs vary widely depending on what a group is trying to accomplish. "We would consider 25 percent good," she said.

Like many of the small neighborhood groups it seeks to help, NCNE has at times struggled to survive since 1981, when Woodson left his post as a resident fellow at the American Enterprise Institute, the Washington-based conservative think tank, to start it. Initial funding came from a \$300,000 grant from the Sarah Scaife Foundation, controlled by Pittsburgh billionaire Richard M. Scaife, a generous backer of conservative causes.

The Scaife family has remained a faithful backer of NCNE, pumping \$3 million into the center, according to foundation records. Other conservative groups -- such as the Lynde and Harry Bradley Foundation in Milwaukee -- have chipped in additional millions.

During the 1980s, Woodson worked to promote black empowerment and inner-city enterprise projects such as management of public housing complexes by residents. He began acquiring a national reputation after President Ronald Reagan and his conservative backers latched upon his ideas and work in their search for alternatives to the Democrats' welfare programs.

He was particularly close to Reagan's housing secretary, Jack Kemp, who in the mid-1990s served on NCNE's board of directors.

But severe financial problems -- which Woodson acknowledges were caused by poor management -- almost derailed the group in the mid-1990s.

In June 1995, the IRS hit the center with a \$107,000 lien for unpaid payroll taxes. Within a year, Woodson had paid off the debt partly by pledging one of his two Silver Spring homes to secure a \$50,000 loan for the center, according to Maryland property records.

"We were growing as an organization, but we didn't lose any funders," Woodson said of the rocky times.

Woodson soon found rejuvenation on Capitol Hill. With conservatives controlling the House, then-Speaker Newt Gingrich (R-Ga.) asked Woodson to head a welfare reform task force. Republican leaders consulted him about the growing influence of the Muslim leader Louis Farrakhan.

The success that proved the most helpful to Woodson's cause, and his image on

Capitol Hill, began Jan. 15, 1997, when 12-year-old Darryl Dayan Hall was abducted, fatally shot and dumped in a frozen ravine in Southeast Washington. He was the latest victim of a gang turf war in Benning Terrace.

The killing motivated the Alliance of Concerned Men, a little-known group founded by a convicted bank robber, Tyrone Parker, to seek a truce among feuding gangs. Woodson often cites Parker as one of his "modern-day Josephs."

Woodson offered NCNE's office as a neutral meeting ground and gave the alliance \$55,000 in grants over three years. The truce has held, and Benning Terrace, once scheduled for demolition, has taken on a new life. No homicides have occurred since Darryl died.

In May 1997, House Judiciary Committee Chairman Henry J. Hyde (R-Ill.) asked Woodson to testify about the effort. Gingrich appeared at the hearing to praise Woodson, suggesting that a fund be set up "tomorrow morning" to support groups such as NCNE.

Gingrich and Hyde expressed concern about possible fraud by grass-roots groups and the need for strict oversight of federal funds. Woodson assured them that his organization could handle the responsibility.

Hyde went on to propose the National Youth Crime Prevention Demonstration Act, which singled out NCNE to receive and distribute to grass-roots groups \$25 million over five years.

The money would have come from the Justice Department, which since 1991 had been giving NCNE \$200,000 a year in technical assistance funding -- advice, computer help, accountancy and other basic costs of running an organization. But the huge jump in proposed funding alarmed some at the agency.

A 1998 memo from the Office of Juvenile Justice and Delinquency Prevention expressed "very strong reservations" about NCNE's ability to handle \$25 million.

"NCNE has no experience in or capacity to award, administer, monitor and evaluate subgrant awards," said Harri J. Kramer, director of congressional affairs, "or to provide the quality and level of technical assistance, training, comprehensive support services and evaluation that would be required by a \$5 million-a-year program."

Hyde's bill died in conference committee last year, but NCNE eventually got an earmarked Justice Department appropriation of \$2.5 million for youth programs.

Woodson said he found the criticism strange because the Justice Department had never before questioned NCNE's financial management.

Woodson also told Hyde's committee that NCNE regularly gave grass-roots groups 70 percent of the Justice Department technical assistance money it received. But IRS filings call that statement into question. They show that in 1996, NCNE awarded other groups \$62,000 -- or 31 percent -- of the technical assistance vouchers. From 1997 to 1999, it handed out 32 percent to 36 percent.

Woodson did not dispute the discrepancy but blamed federal officials for long delays in processing the money and grant proposals. He said this had sometimes required NCNE to dip into funds earmarked for administration costs. "We were always running behind," he said.

The most recent IRS records, from 1999, indicate that NCNE's grants to other groups from federal and private money totaled \$305,000, or about 14 percent of the \$2.2 million in funding that year. A Woodson aide said that figure should be closer to 21 percent, because NCNE issued another \$139,000 in grants from Department of Housing and Urban Development funds.

The largest grant to a single group was \$60,000. Under the heading "Monies to Help Keep Local Grassroots Groups Going," nine District groups shared \$32,000.

Thomas Derrick Ross, the leader of Concerned Brothers and Sisters of Benning Terrace, said he had no recollection of receiving that year's smallest grant -- \$50 -- but confirmed that NCNE had advised the group.

Julia Dunkins, executive director of Survivors of Homicide Inc., a struggling grass-roots counseling service in the District, praised Woodson for handing out grants, however small. She criticized nonprofit groups that "spent money on studies" instead of people.

"They just do not have the money to help us and others more," she said of NCNE.

Yet records show that the center ended 1999 with \$280,000 in unspent funds. Woodson said the leftover money resulted from cash flow problems, because some grants arrived too late to be spent in the calendar year.

NCNE has at times spent considerable sums to fete and publicize Woodson's inner-city "Josephs." It spent \$220,000 on a 1996 dinner honoring seven youth leaders from across the country, including \$120,000 for a promotional video. The party cost substantially more than the \$62,000 NCNE spent that year on neighborhood groups.

Among NCNE's other major costs have been consultants and salaries. In 1999, the center spent \$464,000 on consultants and nearly \$600,000 on salaries. Woodson's \$165,000 salary, for a nonprofit organization dispensing a little more than \$2 million, appears high, based on a study of nonprofit compensation conducted by

the National Center for Nonprofit Boards.

Woodson said he believes his salary is appropriate, given his 20 years of commitment and success. He said NCNE has trained 1,400 grass-roots leaders and helped with urban-renewal projects in such places as Milwaukee, Indianapolis and Hartford, Conn.

"I'm not Jesse Jackson," he said of the well-paid civil rights leader. "I don't think I'm making that much. The issue is how much value have we added to the groups we serve around the nation."

Grass-roots leaders interviewed by The Post agreed that NCNE helped guide their efforts.

"They were the first ones to help me get going," said Rachel Morrison, director of EFFORTS (Employment for Former Offenders Receiving Treatment Services). "Anything I need, I call over there."

Woodson sees a bright future for NCNE and other grass-roots leadership groups under the Bush administration's faith-based initiative, encouraging them to compete for federal grants. NCNE's federal funding this year will be \$1.8 million, 58 percent of the center's total budget, and Republicans seem likely to get the group even more next year.

Partly with federal money, he said, he hopes to undertake a four-year, \$10 million expansion of his effort to duplicate the Benning Terrace model elsewhere. He wants to create "violence-free zones" in the District's high-crime Wards 7 and 8 and replicate the Benning Terrace model in other violence-prone cities across the country.

Researcher Alice Crites contributed to this report.