

NASCONet

PROJECT PURPOSE

NASCONet will address the nation's critical need for widespread, cost-effective, and non-burdensome charity oversight. NASCONet will make current law enforcement efforts more effective by creating a single on-line repository of charity information and documents for charities, regulators, and the general public. It will also relieve charities of the burden of registering in multiple states each year.

Problem Definition

Today there are 40 states that require charity registration. Each maintains costly and duplicative document-gathering and data systems. Roughly 50% of the budget of each state charity office is dedicated to a registration system, leaving only half of the budget to pursue direct oversight, investigation, and enforcement activities. Thus, across the country, scarce public resources are inefficiently allocated to administrative processes, and charity oversight is compromised. (See Appendix B, Survey of State Charity Offices.)

Charities active in multiple states face a costly task of complying with the registration requirements in each state. The process can cost as much as \$25,000 per year, a daunting amount to most public charities. In addition, the advent of on-line giving has caused great consternation among state officials and rampant confusion among charities. Unless the registration system is streamlined, every charity with a Web site faces the possibility of needing to register in every state, and each state must prepare for an avalanche of paperwork.

The public is poorly served by this inefficient information-gathering system. Not only are charities regulated less effectively than they would be if the state budgets were dedicated fully to charity oversight but the charities are less able to serve the public than they would be if more of their time and resources were devoted to direct service. Additionally, with the current system there is no single place for the public to access information state governments make public, such as financial data and findings when a charity has misappropriated funds or otherwise broken the law. Without an efficient information-dissemination system, members of the public lose important guidance on which charities to support and which can best meet their needs.

Proposed Solution

NASCONet is a Web-based system that will serve charities, regulators, and the public. A Web site will be created to facilitate the on-line registration of charities and allow state charity offices to post and share documents in a secure environment. The system will use the GuideStar database as its foundation. GuideStar is perfectly positioned to develop and operate the NASCONet system. GuideStar already collects, digitizes, and posts on-line the Forms 990 of public charities, and it serves NASCO member offices informally through its Web site, www.guidestar.org.

GuideStar technology has gained acceptance as an effective solution that aids government

oversight of charities. Recently, the British government recognized the importance of a GuideStar system when it provided the equivalent of \$4.75 million U.S. dollars to create GuideStar UK, which will help the British government's Charity Commission and the British donating public. In the United States, the Internal Revenue Service recently announced its intention to purchase GuideStar's IRS Form 990 digitized data. Negotiations with the IRS are currently underway.

This funding request covers the first two years of NASCONet and has several components:

1. **Secure, Web-Based Data Gathering Interface: Unified Registration Statement (URS)** is a common registration form that is accepted by thirty-six state charity offices (see Appendix H, States Accepting the URS). NASCONet will gather URS information from a secure, Web-based platform. Each reporting charity will maintain a profile that will save time in generating new annual reports in subsequent years. GuideStar currently has a Customer Service staff that can assist charities with completing the URS on-line.
2. **Document Gathering System:** NASCONet will provide reporting charities with a facsimile transmission system to facilitate filing of necessary paper documents. These documents will be converted to PDF images and stored in the document repository.
3. **Document Repository:** NASCONet will store electronic and PDF documents in an individual folders for each charity. These required documents will be maintained in NASCONet and will populate participating states' individual databases.
4. **Public Web Site:** NASCONet will serve the public with a searchable database of registered charities. Search results will provide basic information about the charities and will provide e-mail access to the individual state charity offices. NASCONet will serve charities by providing up-to-date listings of individual states' laws and regulations.
5. **Private NASCO Member-Only Web Site:** NASCONet will serve as a communication network for state charity offices, allowing them to share documents in a secure environment. NASCO will control access to the private Web site and will decide whether to allow access to other law enforcement agencies.

Expected Outcomes

From its inception, the NASCONet effort will:

1. Streamline and cut to a small fraction the costs currently required by duplicative data management systems of the individual states.

2. Provide state charity regulators with far more convenient access to data and tools to interpret those data.

3. Offer charities an inexpensive, centralized government registration and reporting service.

4. Promote accountability by providing the public full and easy access to reports and other information on all charities at the NASCONet Web site.

5. Be fully coordinated with the IRS program to promote the e-filing of Forms 990.

Although the benefits of this program for the states, the nonprofit sector, the general public, and ultimately the IRS are clear, federal financial sponsorship is required at the outset to garner the participation commitments from the states that are necessary to make NASCONet a reality. The states' budget constraints and interstate politics make it impossible for them to earmark internal funds to build a single point filing system. But, once the universal system is in place and the economic and social benefits are clear, however, the states will be able to justify financial participation based on direct budget savings. As states participate in the first phase of the program, they will do so knowing that eventually they will have to pay to continue the common service. The successful adoption of the URS is an indicator of the anticipated success and rapid adoption of NASCONet.

INNOVATION

NASCONet's innovation is the introduction of new business processes designed to offer more effective services to both charities that must register in multiple states and to the charity offices in those states that gather and process the data.

TOP grant awards have successfully brought government agencies together with nonprofit agencies in innovative ways to solve local problems. There are numerous examples of successful TOP-funded private-public partnerships-Massachusetts's Access2Justice.net, Maine's Help ME Law Abuse Project, Louisiana's Children's Network, Indiana's Electronic Youth Advisory Council (E-YAC), and Illinois' Children's Advocacy Network are but a few. NASCONet is another such private-public partnership, but one that has national focus and impact.

TOP awards have targeted innovations in critical law enforcement efforts. Like NASCONet, Cal-Photo (October 1, 1996-April 2, 2001) and the Western Identification Network (WIN) pilot project (October 1, 1998-March 31, 2001) link law enforcement agencies into a network that allows sharing of important law enforcement data. NASCONet will employ a common document repository as the basis for sharing charity registration documents with a network of law enforcement agencies. Like Cal-Photo and WIN, NASCONet shares the goal of making law enforcement work more efficient.

NASCONet also builds on the success of the National Council on the Aging's BenefitsCheckUp (October 1, 2001-September 30, 2004). Like BenefitsCheckUp, NASCONet will provide a comprehensive on-line system for charitable organizations that want to learn about the various state requirements with which they must comply prior to conducting charitable solicitation campaigns in those states.

NASCONet shares some of the functionality of the National Council of La Raza's(NCLR) home ownership initiative (October 1, 2001-October 1, 2004). NCLR's project is also national in scope. Like NCLR's project, NASCONet joins access to information with the ability to complete registration on-line.

The obstacles to successful implementation of NASCONet are less technical than political.

NASCONet's success will be based on effectively building nonprofit community involvement to support the project and on effectively making the business case documenting the cost savings state participation in NASCONet will provide.

COMMUNITY INVOLVEMENT

Partners

NASCONet brings together NASCO and GuideStar to create a benefit for the charitable sector and the general public. NASCO is an association of state charity offices representing 40 states. (See Appendix A, Description of NASCONet Partners). NASCO will provide the critical leadership to ensure the success of this project and will own the registration system at the end of the two-year pilot period. NASCO will provide four mission-critical roles:

1. NASCO will gather and regularly update all state charity laws and regulations. Gathering the business requirements through an efficient and timely process is critical to keeping the project on target, on time, and on budget.
2. NASCO will supply essential baseline information about the staffing, technology, and budgets for each state charity office. This information is critical for developing the business case for the project and for measuring its impacts. NASCO will also supply a listing of registered charities from each office. This information is critical to a successful marketing effort to reach key charities that register in multiple states.
3. NASCO will drive state participation in NASCONet. NASCO is a national association of sovereign state regulatory offices. Its powers are persuasive, not compulsory. As NASCO's success in the adoption of the URS demonstrates, it effectively builds a core of support that creates momentum for change. NASCO members convene annually to obtain continuing legal education and training.
4. NASCO will oversee the project to ensure that it meets development schedules and marketing targets. NASCO's eventual ownership of NASCONet aligns its self-interest with the success of the project.

GuideStar is the operating name of Philanthropic Research, Inc., a 501(c)(3) public charity (See Appendix A, Description of NASCONet Partners). GuideStar will provide the technology and data to support this project and will contribute the following:

1. GuideStar will build and operate NASCONet through the initial pilot project.
2. GuideStar will lead the effort to enlist support for the project with both state offices and charitable organizations.
3. GuideStar will provide customer service to assist charities through the registration process.
4. GuideStar will help gather the baseline data that are essential for successful marketing efforts

and for meaningful evaluation of the project. (See Budget Narrative.)

GuideStar's mission is to revolutionize philanthropy and nonprofit practice through information. NASCONet is inline with this mission in four critical ways: (1) NASCONet will revolutionize the way state charity offices gather information and how they allocate limited public resources to their critical oversight role. (2) NASCONet will create a new market for IRS Form 990 data, transforming the focus of state charity officials' work from data gathering to data analysis. (3) NASCONet will replace an antiquated, paper-based, duplicative compliance system with a single more efficient electronic system, thereby reducing charities' administrative costs and making dollars they currently pay to comply with legal requirements available to advance the charities' important missions. (4) NASCONet will build a platform to promote the acceptance of electronic filing of IRS Forms 990, an important new federal initiative.

Community Involvement

NASCONet builds on the successful work that state charity officials and charities achieved in the Unified Registration Statement (URS) project. NASCO completed a strategic planning effort in October 2001 that set the course for the next three years. Among its conclusions, NASCO articulated a need to create a networked knowledge base and compelling membership services that would lead to a reliable revenue source for the organization. NASCONet fulfills these key strategic goals.

Included in Appendix C, Letters of Support are six letters from leading national charities and legal practitioners offering their support for the project. In addition to these letters of support, a number of organizations have offered GuideStar and NASCO in-kind marketing resources to promote the goals of NASCONet. (See Budget Narrative). GuideStar contacted nonprofit organizations via its electronic newsletter mailing list to request permission to include nonprofits names as supporters of the goals of NASCONet. More than 1,600 nonprofits from 50 states have asked GuideStar to inform the TOP reviewers of grassroots nonprofit support for NASCONet. (See Appendix D, Support from Nonprofit Organizations)

NASCO and GuideStar will convene an advisory committee of charity representatives and practitioners that will meet regularly to advise the partners as the project is implemented. This committee will ensure that NASCONet advances the goals of e-filing, will play a role in project evaluation, and will give guidance for marketing efforts to state regulators and to multi-state filing charities. (See Budget Narrative.)

Support for End Users

As part of the gathering of baseline data for the project evaluation, NASCO will collect information on the technological capabilities and needs of each state charity office. This information will help to identify critical infrastructure upgrades needed that will impact data delivery strategies.

The Budget Narrative identifies an in-kind contribution from GuideStar for customer service. GuideStar is allocating .5 FTE for NASCONet's first year and 1 FTE for its second year to assist

charities with questions related to completing the NASCONet registration process. GuideStar has a proven Customer Service Department that assists 75,000 nonprofits that provide additional information in the GuideStar database each year.

EVALUATION AND DISSEMINATION

Evaluation Questions

NASCONet will be evaluated according to these basic questions: 1. How many states are participating in the project? 2. How many charities are participating in the project? 3. How are participating state charity offices allocating budget resources at the project's start and at its end? 4. How much time and money are participating charities spending to comply with state registration requirements at the start of the project and at its end? 5. What are the projected cost for non-participating state offices and non-participating charities?

Data Collection

Baseline data will be collected using a variety of techniques. The collection will occur at or near the beginning of the project. For state charity offices, both quantitative and qualitative data regarding current practices and costs will be collected. Additionally, we will attempt to collect from these offices information about current public usage of the information. From the charities, we will collect quantitative and qualitative data regarding current practices and costs. A large population of NASCONet users will be invited to provide information through a Web-based survey instrument, but follow-up phone calls are likely.

Once the project is established, follow-up surveys will be conducted among original respondents in all groups to collect information on their satisfaction with the project and to gauge the impact the project has had on both costs and practices. It will also be possible to conduct pop-up Web surveys to see how the project has changed both the general public's ability to access this information and users perceptions of the quality, timeliness, and usefulness of the data.

Data Analysis

To the extent possible, the analysis will depend on following the baseline group from the beginning to the end of the project. Some analyses are obvious, e.g., changes in costs over the pilot period, change in the number of hours devoted to enforcement activities as opposed to administrative tasks, etc. Other analyses will spring from human perception, and will be somewhat more difficult to measure accurately.

Evaluator

Alice Howard, Principal of Vista Consulting, will conduct the project evaluation. Ms. Howard has been a management consultant for over 15 years. She is a graduate of Harvard Graduate School of Education (EdM) and of Harvard Business School (MBA). She has been a consultant at Bain & Company, an international strategy firm. Her nonprofit clients have included educational institutions, charitable foundations, and organizations in the areas of health,

international development, and information-related products and services. She has served as a Contributing Editor focusing on Social Enterprise for the Harvard Business Review.

Dissemination

Information about this project will be disseminated via state, charity, and other Web sites, including the GuideStar site, which had an estimated 5 millions users in 2003. Additionally, it is likely that all of the participants in a successful NASCONet project will gladly discuss the projects formally and informally at the many conferences and workshops that they attend in a given year.

PROJECT FEASIBILITY

NASCONet is based on proven GuideStar technology. The NASCONet Document Management System will use GuideStar's infrastructure to host the repository of charity information and documents. GuideStar's Internet infrastructure is built around Microsoft Internet Data Center architecture and consists of the following:

Network Components and Services

- * Switches: GuideStar's architecture uses Cisco 6506 layer 3 switches setup with several virtual local area networks (VLANs) for network segregation and security.
- * Firewalls: GuideStar's architecture identifies a perimeter firewall, which is managed by firewall software on the routers or the Cisco switches. The switches contain an intrusion detection module for active detection. The internal firewalls are defined as Cisco Pix 515 devices. VPN and VPN firewall services are Microsoft ISA servers.
- * Load Balancing: Web server load balancing uses Cisco Local Director 416 devices attached directly to each switch.
- * Domain services: Domain and internal DNS services are provided by 2 Windows 2000 domain controllers in the Infrastructure VLAN. External DNS services are provided by the ISP facility.
- * Servers: All servers in GuideStar's infrastructure have lights out remote management cards installed. Systems management is accomplished remotely using Microsoft Operations Manager (MOM) software from a designated management server. Network management is accomplished using Cisco Small Network Management software. The infrastructure consists of Dell Servers and Cisco routers and switches. Web services are load balanced across multiple servers in a Web farm with back end connections to the internal network and storage fiber channel storage arrays. (See Appendix E, GuideStar Infrastructure)

GuideStar's Infrastructure - Because GuideStar's infrastructure is built around Microsoft Internet Data Center, it has the following capabilities:

Scalability: Scalability is essential to the life cycle of any Internet environment. Scalability

allows growth without major interruption or extended outages. This infrastructure allows both horizontal and vertical growth.

Reliability: In a 24 x 7 Internet environment, keeping the site up and running is paramount. This infrastructure provides reliability through enhanced failover clustering, log shipping, and proper backup strategies.

Performance: The most important factor for any Web site is performance. How the site affects the end user determines its success. Besides being scalable and reliable, this infrastructure ensures that established performance goals will be met or exceeded.

Hosting: Sentraliant in Richmond, Virginia hosts GuideStar's infrastructure. This company provides a Data Center environment that meets commercial standards and GuideStar's infrastructure environment requirements.

Sustainability

The Budget Narrative projects costs of \$200,000 to provide the IT and customer service personnel to maintain the system. The projection also covers the costs of web-hosting and additional marketing expenses for the project.

NASCO will assume ownership of NASCONet in the third year of operation. During the second year, NASCO and GuideStar will discuss the arrangements for on-going operation of NASCONet. The projected cost does not cover expenses for base hardware or for additional storage capability. It does not cover any operating margin for GuideStar to continue to operate NASCONet. The actual terms of a contract will be reached through an arms length transaction.

State subscriptions to NASCONet will provide the revenue to sustaining the project. States often enter into arrangements that proportion costs on a pro-rata basis based on the state's population. A flat rate or a sliding scale for subscriptions will be explored.

The project assumes that NASCONet will provide cost savings to state charity offices. A flat subscription rate of \$20,000 would be the equivalent of less than the cost of single clerical staff FTE. The project assumes substantially greater cost savings for participating states.

NASCONet targets the participation of 20 states by the second year. A threshold of 10 participants will cover base costs for the project.