

Coding California: Results of an NTEE-CC Verification Project

Peter Manzo
Center for Nonprofit Management
606 S. Olive Street, Suite 2450
Los Angeles CA 90014
(213) 623-7080; fax (213) 623-7460
pmanzo@cnmsocal.org

Kalieh Honish
Center for Nonprofit Management
606 S. Olive Street, Suite 2450
Los Angeles 90014 USA
Phone: (213) 623-7080; fax (213) 623-7460
khonish@cnmsocal.org

Kathleen Costello
Center for Nonprofit Sector Research
California State University, Fullerton
P.O. Box 6850
Fullerton CA 92834-6850
(714) 278-5376; fax (714) 278-1537
kcostello@fullerton.edu

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This paper documents the methods and results of a project to verify geographic and descriptive codes for 16,000 501(c)(3) organizations in Southern California. Included are discussions of the process of verifying geographic codes, training coding teams, interpreting the classification system and dealing with ambiguities and complexities of organizations and their activities, and the merits of the results as measured against the investments made in acquiring the information. The researchers intend both to share the results of the project with other researchers, and to help inform larger efforts to improve the quality of regional- and national-level classification data.

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Introduction

This paper reports on the first phase of the Southern California Nonprofit Study, a project of the Gianneschi Center for Nonprofit Research at California State University, Fullerton and the Southern California Center for Nonprofit Management. The study was designed to present descriptive and financial details for all 501(c)(3) organizations in Southern California, and to compare them across each of the ten major service categories or disciplines and the ten counties that comprise the region. The dataset consists of 16,187 records extracted from the National Center for Charitable Statistics' Master NTEE Codes data file. Organizations in this file are assigned purpose codes derived from the National Taxonomy for Exempt Entities – Common Codes (NTEE-CC) classification system, and county codes derived from the Federal Information Processing Standards (FIPS). To support disaggregating the data to the levels of the ten broad service categories and ten counties, the first phase of the project involved verification of both NTEE-CC and FIPS codes for the entire dataset.¹ Discrepancies and the research team's preferred codes were reported to NCCS with supporting documentation. This paper reports on the coding team's experience in interpreting the NTEE-CC classification guidelines for the specific purposes of this regional study and subsequent projects of the county partners.

The NTEE-CC system is a decided improvement over the previous method of classifying nonprofit organizations, which relied on up to three “activity codes” self-selected by organizations upon application to the Internal Revenue Service for exempt status.² NCCS and its researchers have done an inestimable service to the field in developing and refining new systems for classifying nonprofits, and in re-coding the national dataset. While NCCS continues to perfect its coding systems using a variety of technologies at the “wholesale” national level,

regional projects such as this can afford to apply more time-consuming techniques and smaller frames of reference at the “retail” level to verify/re-code sections of the national file. The smaller scale makes it possible to employ methods that would be impractical for national-scale projects: methods such as assessing organizations individually, manually consulting a wide variety of sources, and involving key informants with personal knowledge of organizations are manageable on the county or regional level. Indeed, not only can local projects do this more intense coding verification, but they likely must do so, in light of our findings that as much as 20 percent or more of a dataset drawn from the national database may be inaccurate. The corrected coding decisions can then be shared with NCCS for them to consider in updating the national dataset.

The selection of coding methods also depends on how the researchers intend to use the results. For instance, private operating foundations should be categorized in the “I” series along with other foundations and philanthropic organizations. If the goal is to represent the number of service providers in a certain category, however, those service providers that are operating foundations would be omitted. Both approaches are defensible when the intention of the project is clear, but only the former is an accurate reading of the NTEE-CC classification guidelines. It is interesting to note here, though, that in both cases, the purpose of coding, and of using the NTEE-CC system itself, is to get as accurate a picture as possible of the composition of the nonprofit sector. The coding project described in this paper was designed to support the ten county/ten service category reporting scheme for the study, but the results also will be used by partners in each county for their own purposes, such as providing local nonprofit leaders, donors and policy makers with as precise as possible a documentation of the dimensions and distribution of local resources. For these purposes in which the intended uses of the coded

file raise questions about coding decisions, the coding team decided to deviate somewhat from the NTEE-CC classification guidelines. In most cases these differences in intended use are irrelevant – a PTA is always a PTA, and a hospital is always a hospital – but in other cases, coding decisions were driven by the project design and intended uses. The most prominent example in this project is the aforementioned decision to code operating foundations according to the service category rather than in the foundation category. Perhaps because of these differences in scale and intended use, some challenges in interpreting and applying the NTEE-CC system were encountered in this project.

Method

The coding project consisted of three tasks: 1) verify geographic data and confirm or replace FIPs codes in order to group data into ten county files; 2) recruit representatives of the largest counties to form the coding team, and conduct training in NTEE-CC coding methodology; and 3) having team members verify NTEE-CC codes for organizations in their respective counties and provide documentation for any changes in classification.

Task 1: Geographic Cleaning. The Federal Information Processing Standards (FIPS) system assigns codes designating state, MSA, congressional district, and county based on address. In order to segment the Southern California dataset by county, it was first screened for accuracy in addresses and corresponding FIPS. When discrepancies were found, the organizations' addresses were researched through a variety of sources including Form 990 images on GuideStar,³ organizations' websites, the United States Postal Service address lookup website, telephone directories, or local service directories.⁴ Most of the corrections were from one county to another, although some resulted in an out-of-scope determination and removal from the dataset. The FIPS-corrected file was segmented into ten county files containing name,

address, telephone number (if known), and NTEE-CC code from the Master NTEE file, and budget size⁵ from the Digitized Data file.

Task 2: NTEE Training. Members of the coding team convened for a detailed presentation of the NTEE-CC system and a joint coding session of a sample of the dataset. The training took place over two half-day sessions to allow for in-depth discussion during the joint coding process. The team needed to understand both how the system was designed to work, and how they would use it to support the purposes of the study and their own subsequent projects. For instance, the study was designed to report on organizations to only the first level of detail used in the NTEE-CC system (the ten broad categories of major groups rather than all 26 major groups). However, the design also involved calling attention to details of organizations within some specific sub-sections (i.e., universities and hospitals), which required coding to the level of the 26 major groups. Some members of the team had additional purposes requiring coding to the decile- and centile-levels. It was important to the training process to first understand all of the intended uses of the coded dataset and develop a set of decision rules that all team members would apply when coding their portions of the dataset.

The NTEE-CC classification system is used to group organizations according to purpose, type, or major function. It groups organizations into 26 Major Categories (A-Z), and these are collapsed into 10 broad categories (I-X). Organizations engaged in advocacy, training, or fund raising are identified with a common code designating their particular functions, in addition to the Major Category code designating the service field in which they operate.

Task 3: NTEE-CC Coding. The cleaned file was then segmented by county and members of the coding team were assigned files for their respective counties to take back and code independently.⁶ For each organization in their respective files, coders were asked to either confirm or replace the NTEE-CC code assigned by the NCCS. They did this based on their

personal knowledge of the purpose, type, or major function of the organization, or by consulting references. References consulted included local references such as service directories, phone books, newspaper listings, referral agencies, associations of nonprofits and nonprofit professionals, and coders' own databases. When first-hand knowledge or local references were insufficient, the most commonly consulted sources, because of their comprehensiveness, were GuideStar and the California Attorney General's listing of registered charities. In many cases coders consulted organizations' websites or contacted organizations directly. When research supported a code other than what existed in the file, the code was replaced and sources were documented in support of the change. A discussion of the coding procedures follows.

Coding Procedures

Research Protocol. A detailed protocol for researching and coding was developed to ensure consistency of results across all members of the coding team. When local directories and other references, together with the coders' first-hand knowledge of an organization's activities, were insufficient, a standard research protocol was used by all coders. Because of their comprehensiveness, GuideStar and the California Attorney General's online charity search functions were the most commonly used sources of information about organizations' purpose and activities. Steps included:

- Search for an organization on GuideStar;
- Compare the organization's description of purpose on GuideStar⁷ to the NTEE code of record;
- If the description raised the possibility of multiple codes that could be appropriate, go to the second and deeper pages of the organization's self-description on GuideStar, if any;
- If there is no further description from the organization on GuideStar, review the Form 990;
- When Form 990 is not available on GuideStar, access it via the California Attorney General's Registrar of Charitable Trusts online charity search function;⁸
- If the Form 990 information is inconclusive, or if Form 990 is not available, search for the organization's website using Google;
- If the website is inconclusive, or not available, contact the organization by telephone.

Following these procedures for every organization for which the coding team did not have first-hand knowledge was no small feat. We required much more than a “that sounds right” assessment: although some organizations clearly indicate their purpose and activities in their name (e.g., the hundreds of PTAs or Little Leagues), the great majority require research to determine these details. For Los Angeles County organizations alone (half of the dataset), one coder (co-author of this paper) spent over 45 days reviewing over 7,000 organization entries. As repetitive and time-consuming as the protocols sound, however, in many cases more of the researchers’ time was spent trying to make a classification decision than trying to find the information.

Classification Protocol. Interpreting an organization’s mission and purpose statements in order to determine an appropriate NTEE-CC classification is a complex step involving subjective judgment, especially in the case of organizations with multiple programs. We found that many organizations had programs that fell in different classifications, requiring researchers to choose between two or more possible code classifications. In such cases NCCS advised classifying the organization according to the first activity mentioned in its description on GuideStar.⁹ Our protocol was to base these coding decisions on the type of program on which the organization spent the most resources. This required us to examine many Form 990 reports.¹⁰ In some cases, ambiguities arose not over an organization’s competing programs, but over classification definitions themselves.

Classification Decisions. Most classifications within the NTEE-CC system are defined by the activity or discipline, but there are two exceptions that are defined by the population served: Category “O Youth Development,” and Category “Q International, Foreign

Affairs & National Security.” These codes were applied to organizations – regardless of the activity or discipline – whose programs serve, respectively, children or people outside of the United States.

As previously mentioned, the coding team coded operating foundations according to their respective service categories rather than in the “T” series because the intent was to aggregate organizations according to service categories rather than funding mechanisms. Because the dataset is comprised of Form 990 filings and not the Form 990-PF filings of private foundations, close scrutiny of the funding sources of private non-operating foundations was not required for this project. However, researchers are advised that classification decisions should be quite closely guided by both the intent of the coding project and by the NTEE-CC definitions: in the case of the Southern California project, the decision of how to code a major entity such as the Getty Trust, for example, would significantly increase aggregated resources for either the Arts category or the Philanthropy category. Had the project included Form 990-PF filers, our coding protocols would have placed the Getty Trust in the “A Arts, Culture & Humanities” category as a reflection of that operating foundation’s role as a service provider in the arts.

Results

NTEE-CC codes assigned by NCCS were verified as correct for the majority of the Southern California dataset. Using the research protocols developed to support the specific goals of the Southern California Nonprofit Study, the team proposes new or replaced codes for 20 percent of the records in the dataset. Specifically, eight percent of the records in the file (1,333 organizations) containing no code were researched and coded. Major Category codes were changed for 2,807 organizations (17 percent of the overall dataset; 19 percent of coded

records). Results were less pronounced when the 26 Major Category (A to Z) codes were collapsed into the 10 Broad Category (I-X) groups: recoding resulted in changes of Broad Category for only 2,291 organizations (14 percent of the overall dataset; 15 percent of coded records). Thus, the team agreed with about 85 percent of the Broad Category NTEE-CC codes in the dataset, and with 81 percent of the Major Category codes, based on the coding decisions and protocols developed to support this specific project.

Table 1 here

Discussion

The intended use(s) which one wishes to make of an NTEE-coded dataset likely will have a bearing on the decision whether to invest time and manpower to a recoding project. For the purposes of this project, the considerable investment in the manual coding and geographic cleaning process was necessary and worthwhile, not only in support of the county/service category reporting scheme for the regional study, but also in support of the many uses the county partners intend to make of their respective datasets. In fact, the study's objective of reporting Southern California data at the county and broad category levels would have been compromised without the results of this research. Without recoding the county/service category results of the study would have been distorted and may have affected the credibility of the study among users familiar with the local nonprofit sector. For these reasons, as well as our strong interest in generating results that would be of potential use to NCCS in their effort to strengthen the national dataset, the study team is satisfied that its investment was warranted.

Since the time when the coding project took place, NCCS has made several very useful classification tools widely available. This is another significant contribution to the field since, despite its comprehensiveness and logical structure, the NTEE-CC classification system poses

coding challenges when ambiguities arise over organizations that have multiple purposes, complex programs, overlapping audiences, etc. The coding process necessarily involves analysis of organizational details, interpretation of classification definitions, and subjective decisions based on end uses. Once verified, an organization's NTEE-CC code in all likelihood will remain static. The only new investments required in NTEE-CC coding would be of organizations subsequently added to the dataset. Geographic verification, however, requires ongoing verification because of the frequency of address changes.

No doubt some of this ambiguity may be relieved when applying a new classification system developed by NCCS, the Nonprofit Program Classification (NPC), which groups organizations according to the types of programs provided and audiences served. Also, NCCS's new classification tools have addressed several of the contradictions or gaps in definitions and index entries that we encountered.¹¹

Because the scale of such projects is manageable, improvements in accuracy are most likely to come through intensive local research in partnership with NCCS, although it requires difficult judgment decisions and a very substantial commitment of time and patience. At the national level, a project to verify NTEE code assignments likely would be impracticable, given the sheer number of organizations involved. At the local or regional level, however, investigators may find that with training, judgment, time and diligence, the accuracy of the NTEE-CC code assignments for their sections of the national dataset can be significantly improved. Regional researchers may bring some local knowledge to bear, and they also are likely to have a high interest in accuracy at the second and third levels because their purpose for using NCCS data is more likely to be to inform and engage the local nonprofit sector, donors and policy makers about the dimensions and distribution of resources as precisely as possible.

Over time, regional research projects can help improve the national data set by playing the answer to the old joke about how to eat an elephant: one bite at a time.

In order for those bites to add up, however, it is important for local researchers to submit their findings to NCCS so that they may be assessed and perhaps incorporated into the national dataset. If we learned anything through this project, it is that employing the NTEE-CC classification scheme is essentially interpretive: it requires that a person make judgment calls, and most likely, in different regions across the country, many different people will be making those judgments. Our hope is that by documenting the coding observations of local research projects, NCCS and local partners will start a cycle that will inform future dialogue about methods and approaches to interpretation, and over time variations in practice will decrease and the processes and methods of interpretation will become more common.

Recommendations

In our experience, most of the NTEE-CC classification system is clear and accessible to non-academic practitioners who might well be enlisted to research and verify organizations within their respective localities, providing they receive adequate training. To code organizations whose purposes are unambiguous is a straightforward matter and might well resolve as much as 50 to 60 percent of the cases in a dataset. More expertise in classifying and in the particulars of the NTEE-CC system is necessary to resolve coding for complex organizations and/or to interpret the more complex, redundant or ambiguous definitions in the system.

Aside from the previously mentioned decision about how to code operating foundations, definitions within the category “T Philanthropy, Voluntarism & Grantmaking Foundations” are based on fine points within the IRS code involving means tests, public support tests, and deductibility rules. The sub-categories, derived from the Foundation Center’s definitions, are no

doubt important to those studying foundations in particular, but for those attempting to identify the universe of service providers and their respective service categories they are perhaps needlessly complex. Classifying organizations within this category may well require specialized knowledge that is beyond the capacities of most practitioners, if not most academic researchers.

In our experience there was potential overlap among organizations with Common Code “01 Alliances & Advocacy,” “02 Management & Technical Assistance,” and “05 Research Institutes & Public Policy Analysis.” Many advocacy-related groups also provide technical assistance on advocacy issues or conduct policy analysis. It may be useful to collapse one or more of these into a single common code, or create another common code for such multiple-purpose organizations.

Considering the numbers and complexities within the category “B Education,” some additional refinement may be useful. Organizations providing multiple resources or services to educational institutions may be coded in several different ways according to NTEE-CC rules. Also, given the prevalence of after-school programs including a significant education component, as distinct from primarily aiming at delinquency prevention (see, e.g., “I21 Youth Violence Prevention”) or youth development (see, e.g., “O50”), modifying a code definition or adding an index entry to accommodate these programs may be in order.

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GuideStar website is, to both practitioners and the general public. Indeed, our project would not have been possible without the many tools and resources that both NCCS and GuideStar have developed and so generously made available to the field.

¹ In the second phase of the project, the re-coded descriptive records were matched with detailed financial data from the [NCCS-GuideStar National Nonprofit Database](#) (also known as "the Digitized Data"). The final result will be a report that presents and compares aggregated data for each county and major organization type.

² In reviewing these codes for its first report on Orange County (California) organizations in 1996, the Gianneschi Center for Nonprofit Research determined that major discrepancies in how individual organizations interpreted and applied purpose codes, as well as changes in organizations' purpose and activities over the elapsed time since initial IRS filings, rendered the activity codes unreliable.

³ Discrepancies often exist among an organization's address on the summary screen on GuideStar, on its most recent Form 990 image in GuideStar, and in the Master NTEE file; preference was given to the most recent Form 990 image.

⁴ Most errors are irrelevant for state- and national-level research, but for sub-state level projects should be addressed. Typical errors include misspelling of city names; transposition of numbers in a ZIP code resulting in miscoded FIPS; disagreement between city and ZIP code resulting in miscoded FIPS; city name correct but state is other than California (as in Westminster, Colorado versus Westminster, California); and changes of address that occurred either just before or subsequent to the submission of Form 990 for the filing period under study.

⁵ A draft version of the reported Gross Receipts variable.

⁶ Some of the team members worked with staff members or colleagues and some performed the coding themselves.

⁷ The accuracy of organization descriptions on GuideStar may be questionable. In some cases descriptions seem to be derived directly from the narrative supplied to GuideStar by organizations themselves. In as many as half the cases we researched we observed a discrepancy between the abstracted information on the summary first screen of an organization's GuideStar entry and the more complete mission statement and program description found by digging down into the second and subsequent screens. In other cases, in the absence of the organization inputting the narrative, it appeared that GuideStar had taken descriptions verbatim from the Form 990, but not consistently; sometimes the description would be blank, even though the Form 990 had a description in it. No doubt this is unavoidable in creating and maintaining a database as massive as GuideStar's.

⁸ This alternative is no longer available, as the website search function now accesses GuideStar files instead of the Attorney General's files.

⁹ NCCS recommends reviewing Form 990 only when the organization's description is not listed on GuideStar.

¹⁰ In many cases, we had to review Forms 990 for two or more filing years in order to make a decision. This practice produced the interesting finding that some organizations reported exactly the same information in multiple years -- down to same dollar figures.

¹¹ For example, in our research we found that most organizations providing temporary shelter for homeless persons also provide support services, such as meals, counseling, etc. At the time of our coding project, these organizations forced a choice between "L41 Temporary Shelter for the Homeless," the definition of which excludes supportive services, or "P85 Homeless Persons Centers," the definition of which in turn excludes providing shelter. NCCS's new keyword search tool instructs coders to classify organizations providing both shelter and services as "L41."