

 **Institute for Nonprofit Organization Management**

# General Operating Support Grantmakers Policies and Practices

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# Why do this study?

- Growing interest among foundations in general operating support grantmaking
- Nonprofits are concerned about opportunities for general operating support
- Little existing research on the topic
- Study will provide information for foundation decision making

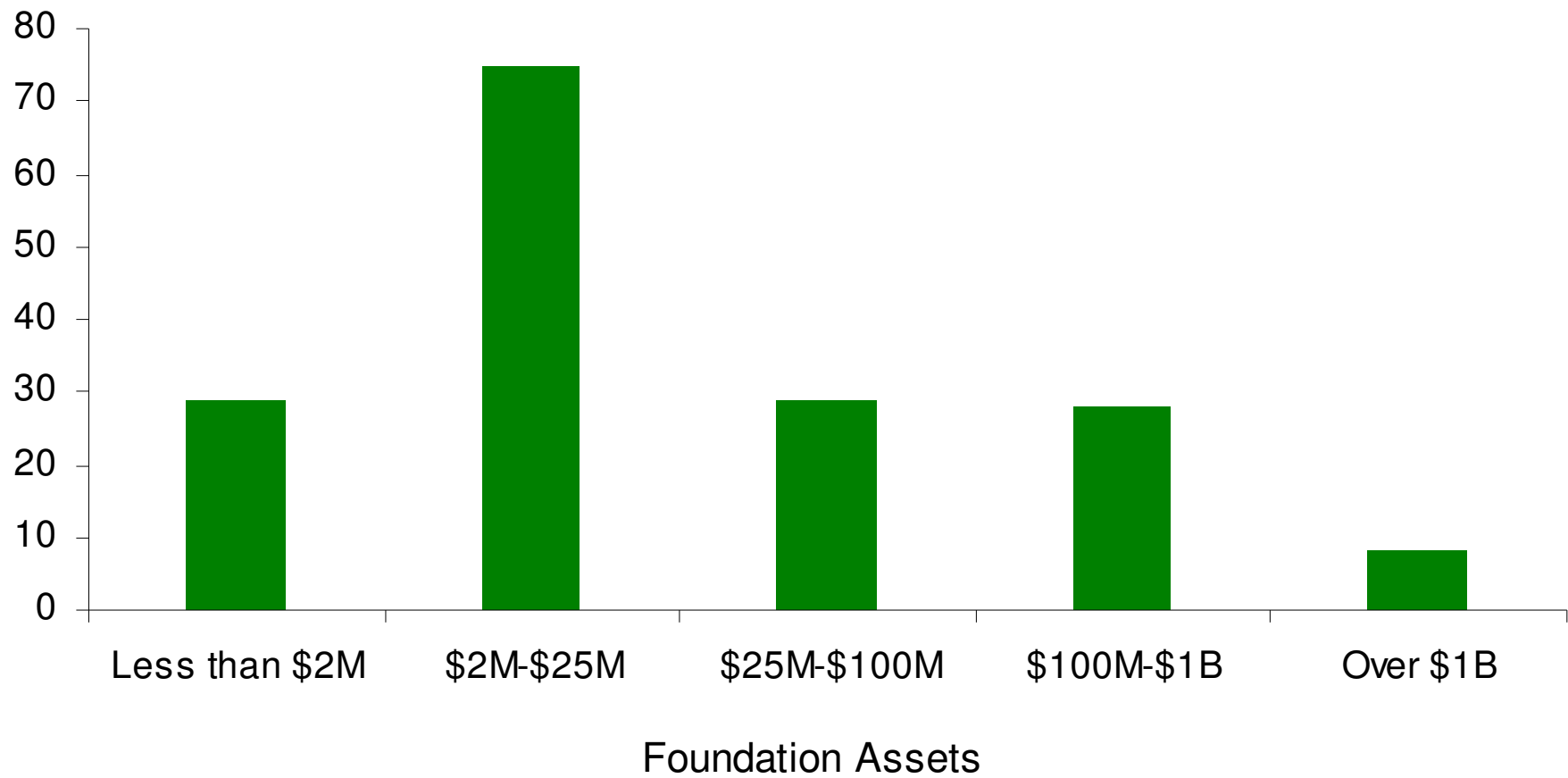
# Methodology

- Multi-method approach
  - Mail survey to 500 California foundations
  - Three focus groups of foundation executives and board members
  - Individual interviews of four foundation executives
- Analyzed data using statistical techniques and content analysis

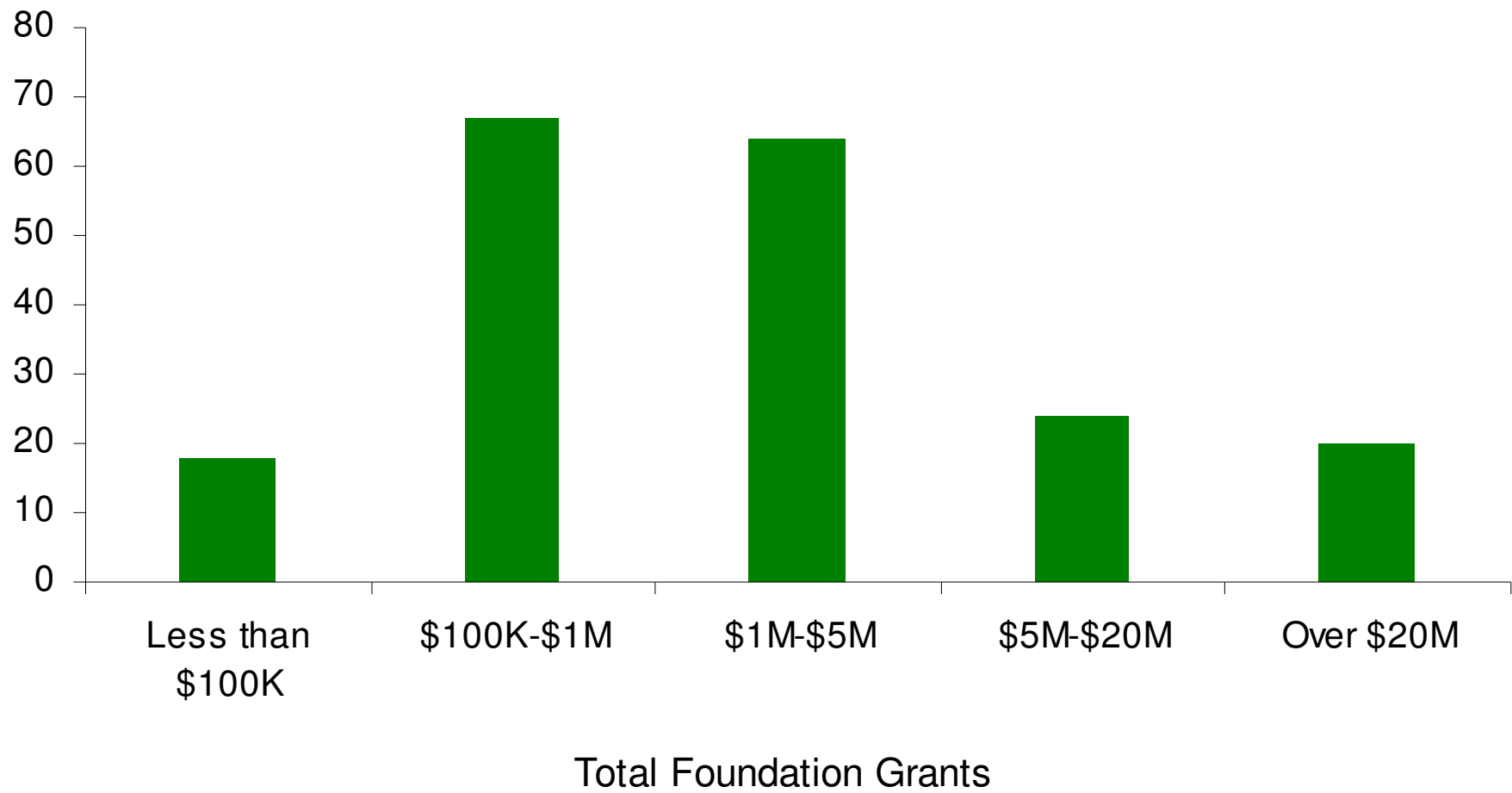
# Survey Mailing

- Sent survey to 500 California foundations, including all 342 members of RAGs
  - Northern California Grantmakers
  - Southern California Grantmakers
  - San Diego Grantmakers
  - Foundation Roundtable of Santa Barbara County
  - League of California Community Foundations
- Added random sample of 158 private foundations from NCCS database
- 203 foundations responded (43% response rate)

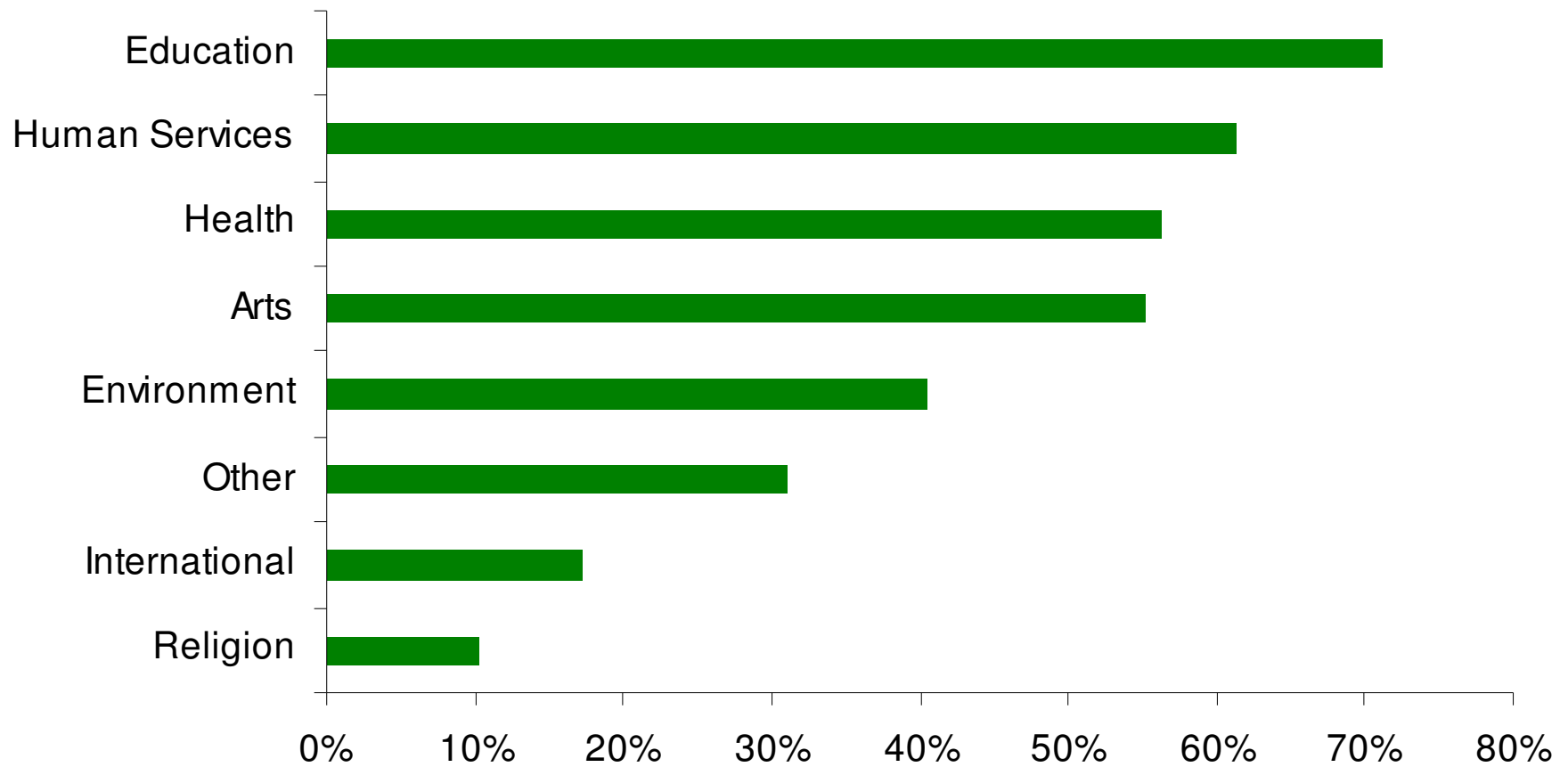
# Total Assets in 2004



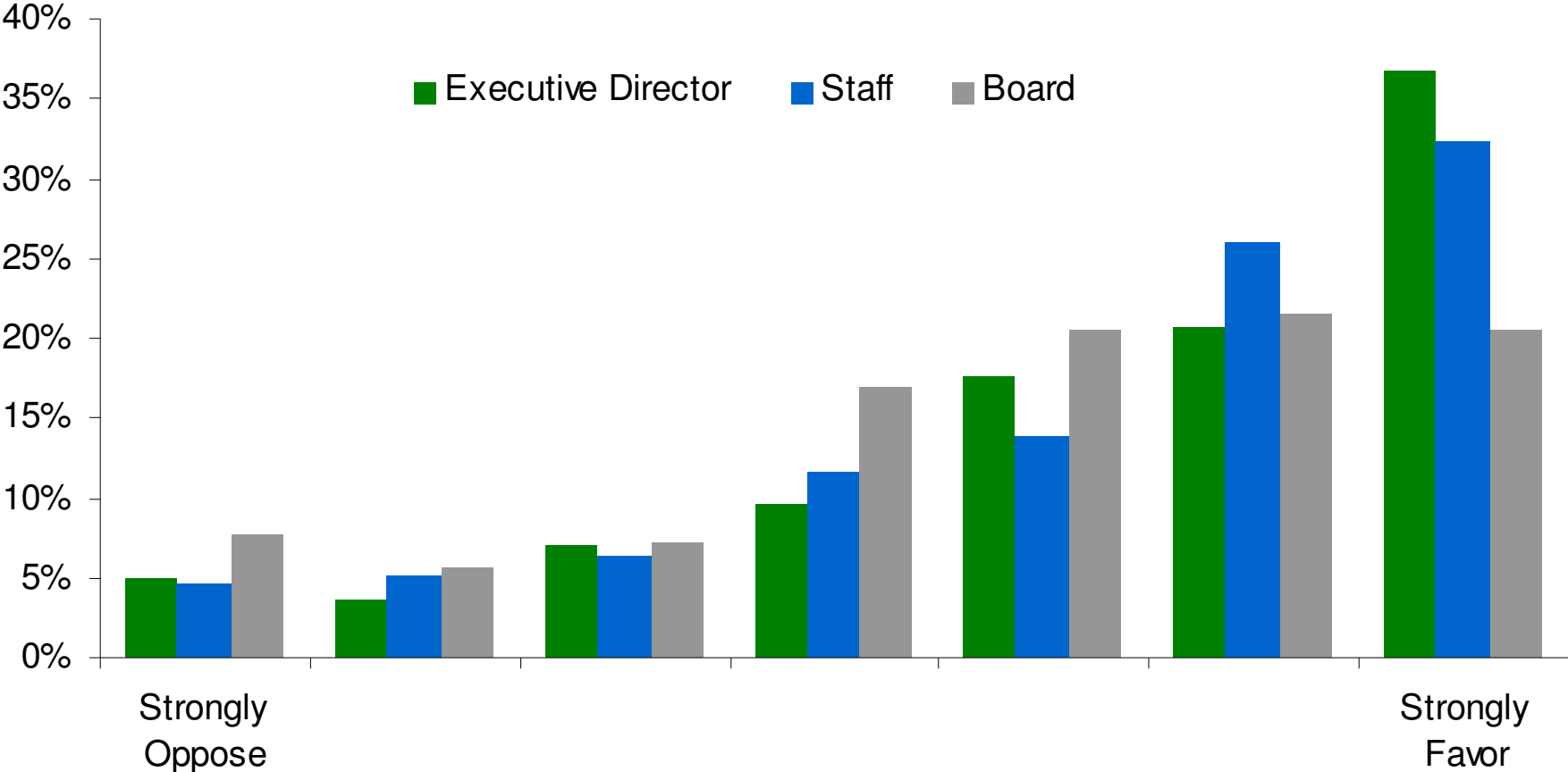
# Total Dollars Granted in 2004



# Grant Programs of Responding Foundations



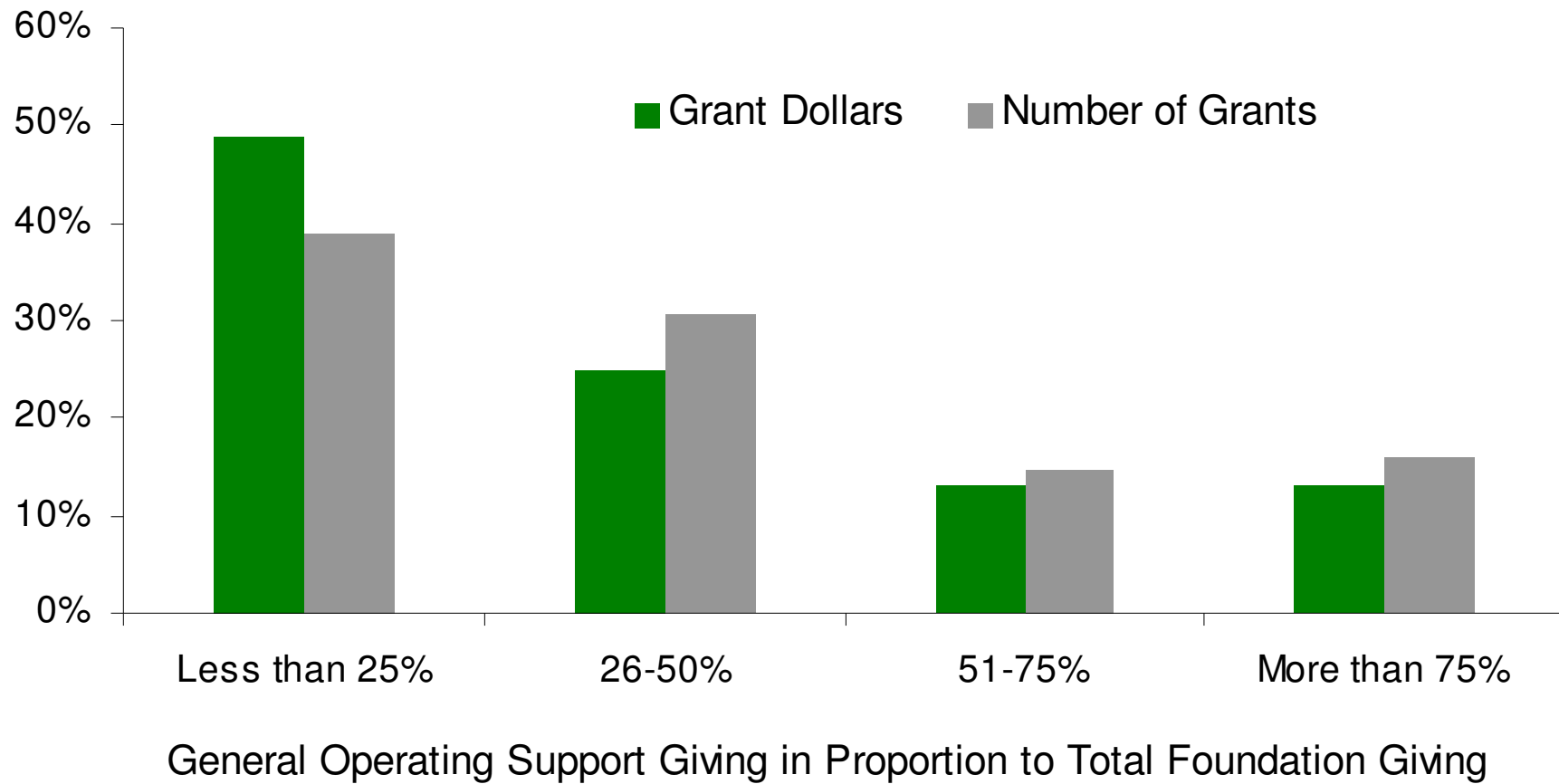
# Opinions Regarding General Operating Support Vary Within Foundations



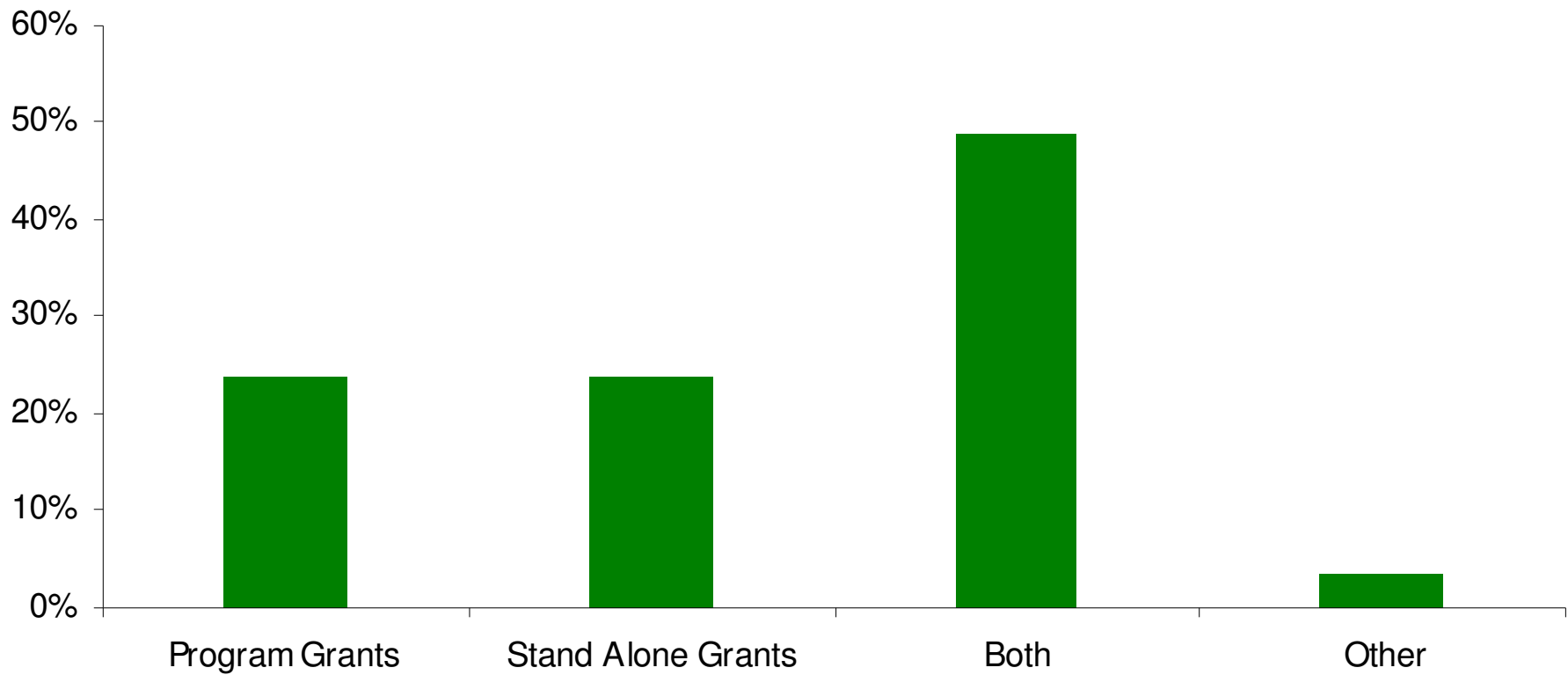
## **There were differences in how foundations defined general operating support grants.**

*We make two kinds of grants: core operating support grants and project grants... core operating support which we leave to the discretion of the grantee to determine how they want to apply the funds.... The way we target it is toward objectives and these objectives can be activities that they are already undertaking. Project support is generally for a new activity or targeted toward a very particular aspect of a large agency's funding.*

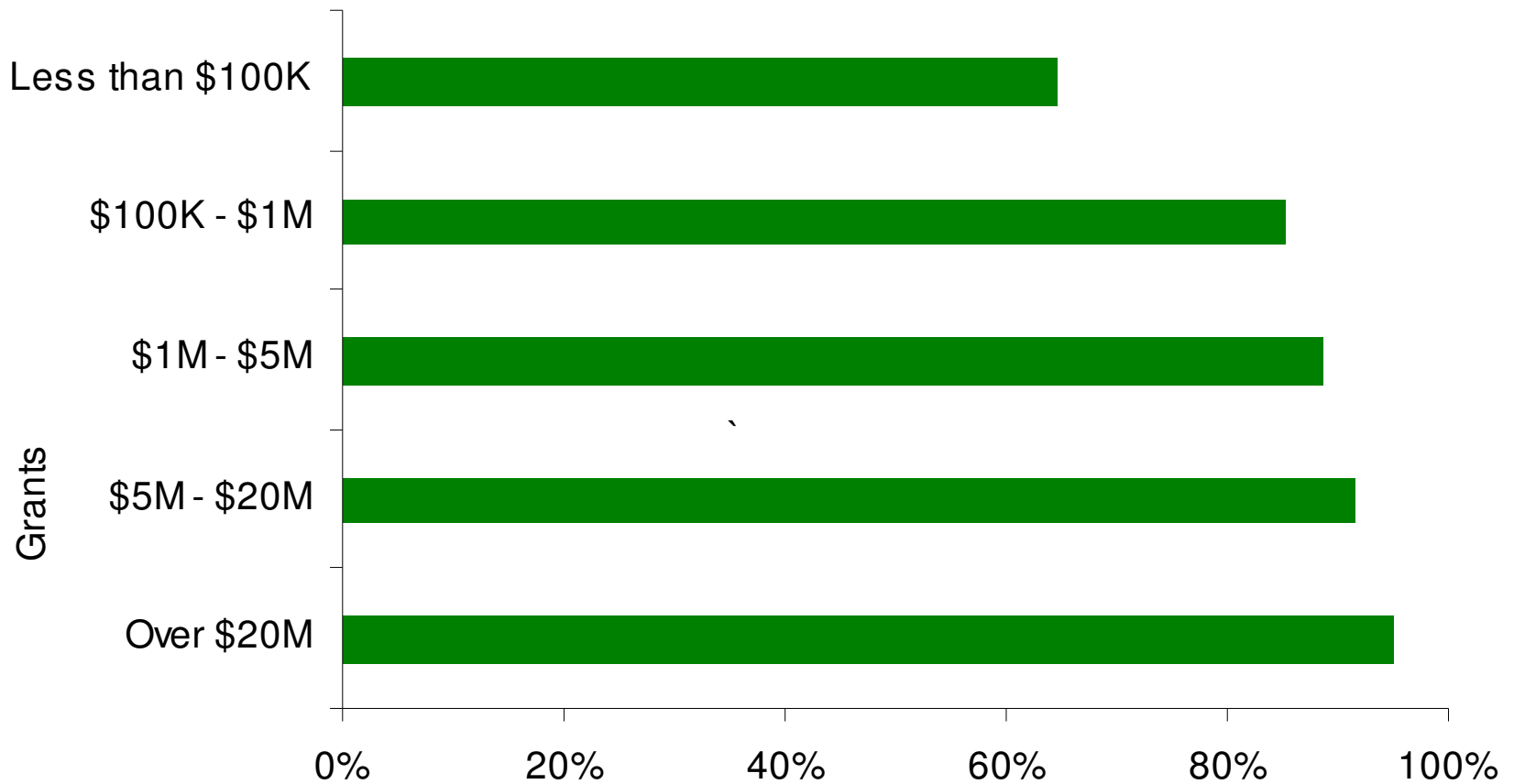
# Percent of Grants that were Awarded for General Operating Support



# How Does Your Foundation Prefer to Structure General Operating Support?



# Largest Foundations Are More Likely to Make General Operating Support Grants



**What are the reasons why a foundation might make a general operating support grant?**

### ***Public Policy***

*Organizations that are working to change public policy are working in the political process, and we all know there are parameters in which foundations have to operate in terms of where they direct their grant dollars. A way for foundations to support organizations that affect public policy is through general support grants. It's not the only way but it oftentimes is a safe and completely appropriate way for foundations that are interested in supporting that kind of work.*

**What are the reasons why a foundation might make a general operating support grant?**

### ***Strategic Grantmaking***

*We use a term: cornerstone organizations that are central to providing services in geographic regions or for particular populations that are important to our mission and our strategies. We are more apt to provide core operating support to cornerstone organizations in order to help them be the best they can because we feel that we rely on them for such important services.*

## **Under what conditions are general operating support grants not appropriate?**

### ***Issue of dependency and bail-out***

*A lot of times requests for operating funds are requests for rescue. I've actually created the term – rescue funding – that is not good funding. If you rescue somebody, then almost immediately they need to be rescued again and there is no momentum to that funding.*

## **How does general operating support affect the nonprofit?**

### ***Better planning and communication***

*We've also found that if you combine general operating with a longer term commitment, it allows nonprofits to plan better because they have some core resources and it allows them to talk to us more honestly about what isn't working, which in a year-by-year framework is very difficult to get to. We've created a culture where folks don't talk about failure because they are always going to have to position themselves for the next grant. But if you are making a 5 or 10 year commitment, it changes their position.*

## ***How does general operating support affect the nonprofit?***

### ***Focus on mission***

*We believe that general operating support is the money that actually strengthens the nonprofit sector... that sometimes project money weakens the nonprofit sector.. if the project is really a step or two removed from that organization's mission and causes mission drift within the organization... Many foundations don't want to fund someone else's project after it's been going. They want to fund their own, new, creative project. A lot of that goes into why we think that can actually weaken organizations.*

**How does a general operating support grant change the relationship between the funder and the nonprofit?**

***Better disclosure***

*So many nonprofits have been trained by the bad behavior of funders, public and private, to hide their infrastructure costs in their programmatic budgets.*

*There is this knee jerk “we don’t pay overhead,” which is ridiculous.*

**How does a general operating support grant change the relationship between the funder and the nonprofit?**

***Greater honesty***

*There's such a game of packaging on the part of nonprofits that we are the complicit partners in that game. I think by offering core operating support grants, we're just trying to walk outside of that game, to say, look, we really want to give you money for what you need... It has taken the silliness out of what we require.*

## **How do general operating support grants affect the foundation?**

*I noticed in this decision making round was that it (GOS) didn't change the relationship between the trustees and the staff but it really changed the nature of the discussion about what would make a good grant... The discussion revolved around was this a core organization, did they still have the key leadership position on this issue they were working on, etc., and then, was what they were asking for something that looked like it would make a significant difference to them over time. That's a different discussion than, does this project have merit, how does it fit within the field, is it likely to accomplish a specific goal. It is an interesting discussion.*

## **What is the future of general operating support grants?**

*As of the late 80's, I think people were realizing that that (foundation funding of new projects, and the expectation that government would take over continuing costs) was a model that if it once worked, and I don't know if it really did once work, but it certainly was a model that was current in philanthropic thinking, people realized that was in many ways a fallacious model for how things actually happened.*

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