

Push for more operating support urged

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Foundations aren't doing enough to provide critical general operating support to nonprofits and the entire philanthropic community must work to increase that support, a new report says.

The lack of flexible funding has resulted in a host of problems for U.S. nonprofits and the populations and causes they serve, says

"A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking," released by the Washington, D.C.-based National Committee for Responsive Philanthropy.

"Everyone knows this is the right thing to do," says Aaron Dorfman, executive director of NCRP. "They just need to find ways to do it successfully."

The dearth of general-operating-support grants, which provide funds that can be used for operational and administrative expenses and are not tied to specific programs, has caused numerous problems within the nonprofit sector, the report says.

Among those are insufficient funds to cover overhead for programs; lack of multi-year grants that would allow nonprofits to focus more on mission as opposed to grantwriting; and insufficient "organizational slack," or resources that can be used to help groups weather times of change or challenge.

In many cases, such flexible funding is withheld because foundations believe other grantmakers are covering those expenses, the report says, or because they don't understand fully the true costs to nonprofits of providing services, or how those costs differ from one group to another.

While foundations generally fund their own operations from perpetual endowments, and thus can afford to engage in long-term planning, they fail to see the same need for ongoing financial support and stability among nonprofits, the report says.

"I do see a double-standard in terms of how general operating support is treated," says Dorfman. "Foundations provide themselves general operating support to do what they need to do, but many of them are reluctant to provide that same support to their grantees."

In addition, funders often tie operating support to proof of a nonprofit's impact and effectiveness, while no similar accountability is demanded of foundations, the report says.

The foundation sector, which controls more than \$500 billion in tax-exempt assets, is a relatively lightly regulated sector and structurally immune to criticism, the report says.

At the same time, nonprofits traditionally have not done their part to articulate directly to funders their need for core-support grants, the report says.

"Nonprofits shouldn't be afraid to speak up about their need for general operating support," says Dorfman. "The only way foundation behavior is going to change is if nonprofits are willing to raise their voices."

At the same time, he acknowledges that many nonprofits fear that speaking is risky.

"It's going to take some discussion between NCRP and nonprofits to figure out how we can do this in a way that doesn't jeopardize people's current funding," he says.

To generate critical operating funds for nonprofits, the report calls for action by all sectors of the philanthropic community.

All foundations should allot at least half their grantmaking to operating-support grants, the report says, and include funds for overhead expenses with all program-specific grants.

Nonprofits, as well as groups and associations serving them, should add their voices to the debate and urge funders to devote half their funding to operating support.

Those planning conferences or meetings involving members of the philanthropic sector should include on their agendas a discussion of the importance of operating support, the report says, and academics and researchers should undertake studies exploring the importance of core support.

And finally, nonprofits throughout the U.S. must share with funders the impact that operating-support grants have had on their communities, and should push for changes in grantmaking that would allow additional operating grants.

If implemented, the report's recommendations would benefit the entire sector, Dorfman says.

"The impact will be that nonprofits and foundations will both be more successful in achieving their missions and their impact in society from their programs," he says. "It's a win-win situation."

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