

Foundations Urged to Help Charities Pay Operating Costs

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Many foundations "may be crippling" nonprofit groups, especially small, local ones, by not providing enough money to pay for rent, salaries, and other overhead costs, warns a new report.

The report, by the National Committee for Responsive Philanthropy, a watchdog and research group in Washington, calls on grant makers to designate at least half of their contributions to their grant recipients' administrative expenses, instead of solely supporting charitable programs.

"Many nonprofits are choking on the highly restricted grant support they receive from foundations, including many foundations that are most loyal to the nonprofits they support and most dedicated to their goals and aspirations," it says.

The report includes anonymous quotes from conversations the watchdog group had with officials from more than 120 nonprofit organizations nationwide. The officials expressed frustration that only a handful of grant makers provide money for such everyday needs as paying the electric bill or treating employees to lunch to celebrate a successful project.

In addition, they complained that their benefactors require them to fill out too many progress reports and that foundation staff members have rarely, if ever, faced the difficult task of raising money.

"Funders just don't get it, they haven't had to experience these issues," said an official at a domestic-violence prevention group. "I kill myself doing these monthly and quarterly and yearly

financial reports."

Disguising Costs

To squeeze money for overhead out of program-restricted grants, the report says, many charities take a "creative" approach to writing grant proposals. For instance, the groups disguise administrative costs within their proposals and what they report to charitable funds. "You have to be creative," said a staff member with an urban advocacy group. "It's not lying. It's how you allocate and what you call it and how you phrase things."

The report acknowledges that foundation leaders often defend their approach by saying that primarily supporting programs allows them to better measure their efforts. The committee dismissed this argument, saying that if the foundations establish long-term benchmarks, then they could provide more unrestricted money.

Little Has Changed

In the past few years, the watchdog group has pushed philanthropies to give more in operating support. But the group acknowledges that not much has changed since its initial reports.

Indeed, the Center for Effective Philanthropy, a research group in Cambridge, Mass., reported in December that 49 percent of foundation leaders said they were more inclined to make grants solely to support programs, while 16 percent preferred not to restrict their contributions. The report was based on a survey of 79 chief executives who run some of the wealthiest foundations in the United States.

In its report, the National Committee for Responsive Philanthropy called on charities to get together and lobby foundations, and it offered to assist them in such an effort.

"Nonprofits, especially smaller grass-roots nonprofits, should take the lead in such a campaign,

keep the heat on foundations and other nonprofit actors to do their part, and assert their rightful claim to a fair share of the nation's vast philanthropic resources," the publication says.

The report, "A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking," is available free on the National Committee for Responsive Philanthropy's Web site.

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