

Three Ways to Boost Core Support

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For decades, the share of grant dollars available to nonprofits for general support barely moved. From 2008 to 2010, average general operating support amounted to less than 1 in 6 grant dollars.

But [in a recent study conducted by the National Committee for Responsive Philanthropy](#) (NCRP), we found that in 2011 American grantmakers gave \$5.9 billion in general operating support—a substantial increase over average core support from \$3.4 billion in 2008 to 2010. Put another way, the share of grant dollars going to core support increased by 50 percent—from 16 percent (the average from 2008 to 2010) to 24 (2011).

What's behind this welcome spike? Are foundations finally paying attention to grantees? Have we finally dispelled the myth that unnecessary restrictions guarantee accountability? Do funders see their grantees as true partners? Is it a fleeting response to increased nonprofit demand? Or perhaps a sign of consolidation as funders place bigger, freer bets with fewer nonprofits?

It's likely some measure of all those reasons. Foundations and nonprofits interested in keeping flexible capital available for nonprofits will need encouragement to keep funders cutting the strings and boosting nonprofit impact. Here are three ways to do it:

1. Adopt a presumption in favor of general operating support.

Numerous research studies have documented the benefits of providing grantees with unencumbered support. There are good reasons to give program support, but where there is clear strategic alignment, make general operating support the default type of support you offer. As funders seek board approval for a slate of grants, we urge trustees and staff to wrestle with the questions: Why are restricted grants taken as the default type of support? What guarantees do restricted grants provide us with? Do we understand the impact on our grantees? Is this

really the best way to capitalize the sector? Is this the best way for our grantees to meet our goals?

A growing group of foundations appears to understand that general operating funds provide grantees with the flexibility needed to carry out their missions, invest in their capacity, and respond to changing circumstances—and they’re cutting strings accordingly. One in every 5 grantmakers (22 percent) gave 50 percent or more of grant dollars as general operating support (as recommended by NCRP), compared to 14 percent on average during the past 3 years.

2. Add general operating support on top of program support.

Some grantmakers will clearly continue to provide restricted grants, and we acknowledge that such grants serve an important purpose in our sector. But funders who opt for program support should include an appropriate level of core support to supplement their restricted funding. Why? Because every string—every restriction and every application and reporting requirement—imposes costs that are borne by grantees from the very grants that they receive (the “net grant”). As we have previously suggested, [restricted grantors are effectively free-riding](#), trusting that some other donor or some other nonprofit will make up the costs of their charitable preferences.

3. Trust your grantees, and talk to peers who provide high levels of core support.

Close to 130 funders (11 percent of the sample) gave 100 percent of reported grant dollars as unrestricted support. These grantmakers demonstrate that giving high levels of core support is achievable and sustainable, and that they are attuned to the needs of their grantees. They are demonstrating trust in their grantees and treating them like true partners. They are allowing their grantees to exercise their judgment in how they administer their grants to serve the communities and causes that they and their funders care about. If a funder thinks that additional strings and restrictions provide more accountability, they should consider why they are investing in groups that they don’t trust to address pressing social needs.

Despite the positive trends around core support grants, the median foundation share of giving for this type of support is a paltry 7 percent. If philanthropy truly wants to equip grantees with the flexibility and funds they need to boost their impact and better serve the needs of their

communities, foundations need to cut the strings where they can.

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