

BUILDING COMMUNITY FOUNDATIONS



Philanthropic
Ventures
Foundation

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Grantmaking Consulting Program

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General Operating Support

While many foundations are stating they do not give general operating support, more and more are giving such support. The dynamics of such giving are interesting.

General operating support is also known as core support – that which keeps the agency going. The term is used to differentiate operating from program support.

Some foundations give project support and allow a 15% to 20% overhead charge for general support. Also, some foundations will fund a project of an agency which is tantamount to giving general support. A number of large foundations are shifting from supporting strategic initiatives to core operating support.

In California, a recent survey indicates that a majority of foundation executive directors, staff, and board members favor giving grants for general operating services and they give such support both as program grants and operating grants. Foundation personnel feel that operating support should come primarily from fundraising, and then earned income, project grant overhead, general operating support grants, and investments.

Some foundations give an agency a grant labeled operating support when that agency is involved in policy advocacy and the foundation does not want to be seen as supporting policy advocacy. In other words, general operating support can be a camouflage.



**ABOUT
THE
EDITOR**

Bill Somerville has been in non-profit and philanthropic work for 45 years. He was the director of a community foundation for 17 years, and in 1991 founded Philanthropic Ventures Foundation serving as President and Executive Director. PVF is a demonstration foundation practicing unique forms of grantmaking and conducting initiative philanthropy. Bill has consulted at over 315 community foundations in the United States, Canada, and abroad, on creative grantmaking and foundation operations. In addition to Building Community Foundations, he publishes Dialogue, a newsletter for development officers. His primary interest is in the creative and significant use of the philanthropic dollar.

Executive Director

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One of the factors that has increased the need for general operating support is the demise of the United Way doing such giving. In the past, the United Way specialized in providing operating support. This has diminished as accusations of favoritism evolved, leading to the United Way's adoption of the foundation model of giving grants rather than allocations.

Foundations struggle with their role as a funder of start-up programs, supporting what's new, seeking out demonstration efforts. To some degree this is diminishing, but many feel this is a vital role for philanthropy in addition to the role of grantor of general support.

The point is that the human services sector (non-profits) is a dynamic sector and sometimes general support for the "tried and true" can be seen as static. Question: In giving general support, how can the funder encourage and stimulate the non-profit to welcome change and innovation?

Evaluation plays a role in the decision to give general operating support and the question of accountability comes up. How do we know it is worthwhile to give continuing general support? Foundations have a low tolerance for failure by non-profit programs. But failure can be a learning experience. In rock climbing, there is a failure analysis: whenever a climber falls there is an analysis of why this occurred and this information is available to other climbers to learn from. Where there is venture there will be some failures. Acknowledging this and learning from it creates an open dialog with funders and encourages non-profit agencies to try innovative approaches to their work.

Foundations could track information on program failures to help figure out what went wrong. Often, support grants fail because of a leadership change. This information could be made available to other foundations and donors.

In a sense, foundations "love you and leave you." This raises the ethical question of helping things get started and then dropping out. Providing ongoing operating support locks up the foundation's giving and ability to respond elsewhere. Thus, many foundations put a percentage tag on such giving.

General operating support, for the most part, is "safe" grantmaking, which can make it attractive to funders. There is evidence that foundations are taking less risks in grantmaking due to increasing pressures – security issues, vulnerability to public criticism, and fear of attack by politicians.

General operating support is a significant element in philanthropic giving. It appears to be on the increase while at the same time many foundation state they do not give such support. The challenge is how to do such giving without becoming "locked in."

Good Reading for Community Foundations:

“Real Estate Giving,” Minnesota Real Estate Foundation,
www.realestategiving.org, created by the Central Minnesota Community Foundation

The Real Estate Trust at Community Foundation Silicon Valley,
www.giverealestate.org

“The Essentials of Fundraising Leadership,” by Susan Packard Orr (www.telosa.com),
September 7, 2005. This is a four-page bullet-point presentation
covering 25 items on fundraising. For a fax copy of this presentation, call 510-645-1890.

“Blending Profit & Non-Profit Values,” Stanford Business Magazine Stanford Graduate
School of Business, May 2003. www.gsb.stanford.edu

Did You Know...

- n Donors cannot make pledges from their donor advised funds. A pledge is a promise but donors can only recommend payment from their funds. They cannot make a promise and then require their fund to pay it. Community foundations need to continually remind donors to recommend grants and not to make prior pledges.
- n Be careful regarding paying for dinner or golf tournaments through donor advised funds. Sponsors are supposed to state what the fair market value is. The difference between the fair market value of the goods and services (whether the donor actually attends the event or not) and the ticket price of the event is the only part that can be paid from a donor advised fund. For the most part, it is best to stay away from this kind of transaction altogether and instead, have the donor pay for these events personally.

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PVF's Grantmaking Consulting Program

PVF has provided on-site consulting to over 315 community foundations throughout North America and abroad, working with staff, board members and the community to improve grantmaking and operations.

The PVF consultant's fee is paid for by The David & Lucile Packard Foundation.

Participating community foundations pay \$500 and for travel, meals and lodging.

This program is described at length on PVF's website, <http://www.venturesfoundation.org/consulting/>

For more information on consulting services, contact PVF President, Bill Somerville at:

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The consulting services offered include:

- **Board Retreats** - 1-2 day facilitation at Board Retreats. Work through issues facing foundations, including growth, community outreach, and grantmaking. Results of retreats include critique of foundation's work, new insights for change, and recommendations for the future.
- **Grantmaking Consultation** - Intensive 3-day on-site sessions focusing on analysis of foundation operations, grant making programs, public relations and internal procedures. Includes meetings with foundation Board, grants committee, Board chair, foundation staff, and executive director.
- **Program Officer Training** - 2-days of training for foundation personnel, involving problem solving, interaction of participants and exchange of ideas, accompanied by 500-page reference manual. Participants analyze actual grant requests, evaluate and make grantmaking decisions, and engage in role-playing.
- **Performance Review** - Intensive 4-day on-site review of all foundation operations, focusing on grantmaking, Board concerns, administration, staffing, development and fiscal health. Visit is followed by an extensive, written report on findings and recommendations. The days are full and intense with the result being new enthusiasm, new expectations and new ideas.