

How Much Should I Ask For? Ten Points of Consideration for Foundation Grantees

by Barbara Chow and Ruth E. Levine

Many nonprofits are concerned about how much to ask for from a foundation, particularly when they are approaching a foundation for the first time. “Given all the variables at play,” write Chow and Levine, “the process of setting funding levels can be a black box.” Here, the authors lay out ten factors often involved in establishing the amount.

OF ALL THE CHALLENGES GRANTSEEKERS face, one of the most consequential is figuring out the right amount to request of a foundation. And, indeed, there is a whole backdrop to the grantmakers’ decision making that may be hard to decipher for those not intimately familiar with the scene—and sometimes even for those who are. It doesn’t help that each ask will likely be slightly different as you look to find alignment between what you are proposing and what the grantmaking institution cares about, and as you attempt to discern all of the dynamics at play.

Many grantseekers find that foundation staff are reluctant or unable to provide a target figure at the outset of a conversation about a potential grant. There are a variety of possible reasons for this. It could be because withholding information maintains a strong power dynamic on the part of foundation staff.

Alternatively, program staff may be concerned that they are “overpaying” for the work they are supporting, or are hoping another foundation will also come in to share in the costs. It is also possible that internal negotiations are at play within the foundation, and the program staff themselves do not know what might be available. In thinking through grant amounts, foundation staff engage in a complex process of “budget hydraulics,” where increases in one grant may come at the expense of increases (or decreases) in another.

All of this means that the prospective grantee is left guessing and gaming, neither wanting to ask too much and be seen as unreasonable, nor wanting to ask for less than they might be able to get.

This article is intended to draw back the curtain on the inner workings of at least some private foundations, and to encourage prospective grantees to put

time into homework as they develop a budget ask. The information will be most helpful for grantseekers approaching a specific private foundation for the first time. And, toward the end, we offer suggestions for negotiating renewal grants.

The Budget Ask

Beyond the intrinsic merits of the work, its actual costs, and its alignment with foundation strategy, in many cases ten factors go into setting the amount available for a specific grant.

These include two kinds of considerations: project-specific issues that foundation staff are grappling with, and “atmospheric” questions having more to do with overall foundation circumstances than the costs and merits of individual grants.

Here are considerations that foundation staff think about when assessing the

right amount for a particular project or general-support grant:

1. Can the nonprofit effectively use the grant funds given existing organizational constraints? So-called *absorptive capacity* has to do with the size, financial condition, and longevity of the potential grantee partner. For example, new organizations with uncertain financial prospects may receive lower levels of funding until a stronger track record has been established. Foundation staff may also worry that too much funding too soon could lead to boom-and-bust cycles, which could ultimately harm the nonprofit if the organization expands too quickly and then is unable to sustain itself at the higher budget level. Grantseekers should demonstrate that they have thought about these risks themselves and have ways to mitigate them.
2. Another factor to keep an eye on is *tipping*. Nonprofits that receive too much money from a single funder can jeopardize their tax status under certain circumstances. It is the nonprofit's responsibility to track this, but foundation staff do their best to mitigate the risk.
3. Overreliance on a single funder can undercut a nonprofit over the long haul. Foundations are conscious of the need for nonprofits to work on a *diversification of funding* base, and are careful to size grants appropriately. If this arises in discussions about funding levels, prospective grantees can ask foundation contacts for help with introductions to other funders.
4. Foundation staff may peg a grant to the level of funding provided to similar organizations for similar work. The *relative size* of a grant matters: if one grant to lead an advocacy campaign is sized at \$500,000, it

is unlikely that the next one will be \$3,000,000, unless the circumstances are markedly different.

5. Allocations for *indirect costs* (i.e., overhead) have been a hot topic within the philanthropic and nonprofit communities. Many foundations will limit allowable amounts to 10 percent to 20 percent of the direct costs of a grant. However, a subset of foundations has been engaged in a process of reevaluating the notion of tracking overhead separately in favor of recognizing the full costs of program or service delivery. Given the variety of approaches, grantseekers should always consult published guidelines and foundation contacts to make sure they understand the foundation's indirect-cost policy.

Any negotiations about the size of a grant between foundation staff and a potential grantee take place in the larger context of a funding institution and its resources, rhythms, and grantmaking priorities:

6. Most foundation endowments are invested in financial markets and are therefore subject to *trends in the market*. Many foundations base their grantmaking budgets on an average over a multiyear investment window (e.g., three, five, or ten years), so market spikes or declines in any given year may not provide a stable indicator of foundation largesse. But in times of plenty, when grant budgets are on the rise over a few years, a foundation may have more flexibility to support higher funding levels.
7. Foundations occasionally shift programmatic priorities, which can open up opportunities for some while closing the door on others. One indicator that a shift is coming could be a *change of foundation leadership*.

With some regularity, new foundation executives or board members review a foundation's programs and decide which ones are of higher priority and which ones may receive less attention or even face elimination. Look for signals within one to two years of a new leader's arrival. (New leaders don't always bring new directions, however. Mitigating against significant shifts within or between programs are the foundation charters or donor directives that established the foundation in the first place. In some cases, program areas are locked in place by donor intent, which means there is little discretion to make significant changes in the allocation for a given program or strategy.)

8. Many foundations develop and renew their strategies regularly (five- to seven-year cycles are typical). The most open-ended period is in the *early stage of a foundation strategy cycle*. This is usually the first three years after a strategy launch (or strategy refresh), when the foundation has identified a specific direction and is seeking grant partners who meet the initial screening criteria. Once those grantees have been identified (and assuming they are performing well), it becomes more challenging to access foundation dollars, as renewals of existing grants become a larger share of a program officer's portfolio. Obviously, this depends in part on whether the grant budget for a given area is rising, holding steady, or falling.
9. The nuts and bolts of a foundation's *accounting practice* matter. Some foundations count multiyear grants (e.g., twenty-four-month grants) against their current-year grants budget. Others charge only one year of a multiyear grant to their

budget. In the latter case, multiyear grants will often be first in line for funding in the subsequent foundation budget year. This is relevant, especially in the early phases of a strategy, because multiyear grants are initially much more expensive.

10. Finally, foundations sometimes find themselves with extra funds at the *end of their fiscal year*, opening the possibility for larger grants that might not have been available earlier, when program staff were still holding on to funds to address unexpected opportunities or challenges. Not all foundations operate on a calendar year, so understanding the specific grantmaking “year” of a given foundation is important. The timing of board meetings can also be a pivotal factor to pay attention to, pushing up end-of-year deadlines a few months before the actual conclusion of the foundation’s fiscal year.

These factors influence an initial grant amount. But what about renewals? For current grantees eligible for a renewal, foundations will typically pencil in a flat-line amount. Grantees who wish to make a case for a higher renewal level could highlight the need to cover increases in salaries (consistent with cost-of-living increases), new opportunities for impact with additional investment, or the importance of offsetting a large funder’s influence on the organization (by providing a more significant counterweight). With renewal grants, program staff are likely to be invested in the success of the organization’s work and may be willing to negotiate for at least a one-time bump in the amount of the grant, or an extension of the grant term to provide more financial security.

While foundations don’t tend to offer hints on how much to ask for on their home pages, grantseekers can gain

valuable insights with a bit of homework. For instance, beyond keeping track of the peaks and valleys in the economy and the timing of a foundation’s fiscal year, nonprofits can learn a lot from careful inspection of patterns in the grants database, which many (but not all) foundations make available online.

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Given all the variables at play, the process of setting funding levels can be a black box. As we suggested in an earlier article, grantseekers may want to offer to prepare a “modular” budget, showing different amounts for different intensities and durations of a given project.¹ And, above all, grantseekers should be extremely cautious about proposing to do work for an amount of funding that is so low that it reduces the chances of success and/or requires cross-subsidy from nonprofit reserves. Not only does a “loss leader” create a potential short-term risk for the organization, it may also set up expectations on the part of the funder that the work is not in fact as costly as it is, making it harder in the future for anyone to obtain a grant of adequate size to cover the true costs.

NOTE

1. Ruth E. Levine and Barbara Chow, “Six Easy Questions to Ask Your Foundation Program Officer,” *Nonprofit Quarterly*, September 26, 2019, nonprofitquarterly.org/six-easy-questions-to-ask-your-program-officer/.

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