



Foundation NEWS & COMMENTARY

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The Long & the Short of It

By Elaine Gast

Docket Debate: Short vs. Long-Term Funding

When it comes to funding an organization, how long is long enough?

In just its third grant cycle, the Trellis Fund, in Washington, DC, faced a question that has confronted most foundations at one time or another: How long should we fund an organization—one year, five years, *forever*?

The question does not have an easy answer. Says Executive Director Hope Gleicher, "After talking it over with the board and other foundations, we weren't sure what would be better—to stay with groups or move on."

The question came up almost immediately at Trellis, because it gets to the heart of what most foundations want to know: How can grantmaking make the most difference?

And making a difference can mean many things to many people: Is it better to support new ideas or to build an organization's capacity? Is it better to fund several organizations or to partner with one or two? When discussing short- and long-term funding, the questions keep coming. How would your foundation answer them? Following is a look at the arguments for each side.

THE DEBATE: In Favor of Short-Term Funding

Encourage grantee self-reliance. No foundation should perpetually support a grantee, say advocates of short-term funding. If a foundation pours funds into an organization year after year, how will that organization learn to rely on itself?

The argument goes that when foundations fund grantees for long periods, they unwittingly discourage them from seeking other funding. With guaranteed funding, grantees may begin to develop a mood of entitlement, whereupon they *expect* grant dollars rather than *earn* grant dollars.



This can be an awkward situation. No foundation should feel overly obligated to continue funding for fear of leaving a grantee in the lurch. Thus, short-term funding keeps grantees on their toes, not leaning on any one foundation as a crutch.

Inspire new and creative approaches. Short-term funding requires grantees to plan ahead. If grantees know from the start how long they will be supported, they can arrange for replacement funds before the well runs dry.

To attract funders, grantees must revamp or improve upon their work. In essence, they must make *progress*—explore creative ideas, take more risks, be forward-thinking. Hence, say short-term funding advocates, without the healthy pressure of finding new support, would this same progress take place?

Just as short-term funding pushes grantees to broaden their funding base, it encourages foundations to broaden their funding goals. Short-term funding frees foundation dollars from year to year, giving trustees flexibility in responding to new and creative ideas. This helps foundations avoid funding ruts—supporting the same grantee year after year without any significant results.

And then there is the issue of convenience. If foundations set limits on how long they fund, they will know when money will be available to fund elsewhere. This way, they can plan their grantmaking schedule in advance, with the same level of flexibility. The Joseph P. Kennedy Foundation finds this flexibility essential in responding to ever-changing program needs. According to Executive Director Sue Swenson, "We will fund an organization for one year, renewable for no more than three. Our field is constantly changing, and we must keep funds available for new projects. Short-term funding allows us to use our small grants to fund big ideas."

Promote inclusiveness. Some foundations feel they should support many worthwhile organizations in the community, not just a few. Short-term advocates ask themselves: If we only fund one or two grantees long term, how will the other organizations survive? By funding many organizations, foundations can spread their resources across communities or sectors. Not only does this share the support among many, but it may also bring more of a public nod. The community may quickly come to realize and appreciate the foundation's role, viewing them as open, accessible, essential. By sharing its resources among many—even in short-term pockets, foundations help whole communities thrive.

They Fund Short-Term

After trying long-term grants several years ago, the Community Foundation of Shreveport-Bossier decided that short-term funding was the way to go.

"Our foundation found itself with its hands tied when it made long-term grants, especially since it was before we adopted a spending policy," says Associate Director of Finance Carol Emanuel. Since then, the foundation only makes grants for a single-year period.

Funding short-term allows this foundation to support more organizations in the community—a role it sees as critical. According to Emanuel, "Long-term grants can make a big difference in an organization; however, it is unfair to other agencies that have pressing needs as well." To this foundation and many others, being fair means being inclusive, and being inclusive means awarding many grants to many worthy recipients—albeit short term.

THE DEBATE: In Favor of Long-Term Funding

Encourage grantee/grantor partnerships. Short-term funders argue that their methods encourage grantee self-reliance, but long-term funders say that reliance goes both ways. Grantee organizations do rely on foundations—that should be a given. Yet, just as nonprofits depend on foundations for support, foundations depend on nonprofits to carry out the foundation's mission—from the frontlines.

It may be true that grantees are chronically cash-starved, but if there is a culprit, say long-term funding advocates, it is short-term funding. Short-term funding keeps a grantee scrambling for support year after year, instead of giving it the time and capacity building it needs to truly stand on its own.

Foundations that fund long-term can strengthen organizations and build meaningful partnerships. It may take longer to see the fruits of this partnership, but—as long-term funders agree—the investment is worth the wait.

Inspire lasting innovation. Short-term funders call for new approaches from grantees, but then, the argument goes, they cut funding as soon as the luster fades.

Long-term funders, on the other hand, advocate investing in creative approaches over time. After all, if a program works well and is critical to the community, why should a grantee have to cut, change or call it new?

Long-term funders realize just because a grantee calls something new, that doesn't mean it is. Year after year, some grantees reframe continuing services as "new and innovative" to attract foundations that require this approach. By offering long-term grants, foundations can create real innovation and lasting impact.

Short-term grants may cause grantees to think creatively—but in most cases, this creativity is applied to fundraising, not programming. Long-term grants help organizations enhance their own capacity, allowing them to focus less on fundraising and more on what they do best—fulfilling their mission, serving the community.

Promote sustainability. With only so much to share, long-term funding may limit the number of grants a foundation makes. Yet, it is a matter of quality over quantity. According to long-term funding advocates, grantees find long-term support much more meaningful than the peppered support of short-term funders.

Long-term funding lets foundations take risks with start-up organizations—those that need a few years to grow and stabilize. But long-term funding isn't just for start-ups. It can be invaluable to veteran organizations—those who have been filling a critical role in the community for years and need time to sustain themselves.

The William and Flora Hewlett Foundation believes in this approach. "The real strength of civil society lies in the organizations actually doing the work—not foundations," says President Paul Brest. "If an organization is doing good work, there should be no reason to discontinue funding it." Hewlett awards initial grants for two or three years and—as long as grantees remain strong—will renew year after year.

Some say long-term funding robs resources from the many that would otherwise get funded. Yet, this type of funding allows for organizations to sustain themselves and answer community needs—not just for now, but for the long haul.

They Fund Long-Term

The Grand Rapids Community Foundation is one foundation that believes in the long-term approach. According to Vice President of Programs Marcia Rapp, "Under our Community Leadership Model, our long-term grants often require a commitment of ten or more years, providing not only unrestricted money but advocacy, technical assistance, convening, evaluation and communication strategies." With this level of support, grantees can improve their own operations and programs, and eventually sustain themselves.

But it is not only the grantees themselves that the foundation wants to sustain. "By funding long-term, we care about not only changing an organization, but changing an overall system," says Rapp. "We ask ourselves, How can a community come together to make major change? We offer long-term support to those organizations that can make that change, system-wide."

A Mix of Both

For most foundations, the best answer seems to be a mix of both approaches. Seeing the benefits both ways, foundations combine short-term and long-term grants to reflect their program objectives. This way, they are free to decide the better strategy for each grant. For a mix of approaches, foundations can

- Fund a variety of short- and long-term projects
- Offer long-term funding but limit the number of successive years an organization can apply for a grant
- Establish a separate donor-advised fund at a community foundation to provide long-term support to grantees
- Collaborate with other private and/or community foundations to support multiple-year funding. For example, foundations can alternate funding every two years, over a ten-year period. That way, the organization will receive the benefit of long-term support, without burdening one foundation
- Make a grant to an organization to build its endowment
- Create discretionary funds for those board members who wish to fund certain grantees for many years
- Offer a transition or challenge grant to organizations the foundation decides not to fund long-term.

—E.G.