

A Retrospective on the last 40 years of Grants By Laurence A. Pagnoni, MPA

July, 2013

I offer these reflections to spur your own thinking, so, please, as I share them jot your own notes and memories so that you too can share once we open this session to comments and questions.

I have worked with, supervised, hired, fired, evaluated, praised and shook my head at somewhere between 175 and 200 grant writers lo these many years, and it's been an honorable ride.

The first government grant proposal I ever wrote was to HUD in 1985. I shipped it to Washington, DC from Richmond, VA in a wooden crate that I obtained from the local fruit and vegetable stand. Sheila Crowley, now Executive Director of the Low Income Housing Coalition, was my mentor on that grant application. I stood in awe at this pile of paper and blew it a kiss when I dropped it off at the local post office. It had more attachments than any of my three graduate theses' and it felt like I was shipping it to Oz, a magical place where it would return "essential revenue to meet the unmet supportive housing needs of the homeless of Richmond, VA." What came back? Funding. \$500K of it. I was hooked. I was 22 years of age.

But that would be hard to do for today's 22 year olds. Leo M. Chalupa, Vice President for Research and Professor of Pharmacology and Physiology ^[1] at [George Washington University](#). says this: "When I worked on my own grants, I was 29-years old as an assistant professor. I got my first grant at 32. Do you know the average age today when people get their first grant? 42. It takes people a lot longer to get their research PhD. I did it in four years. Now it takes 8 or 9 years. A lot of people do not get their own job where they are an independent investigator until they are in their late thirties. It's a very worrisome thing, by the way, because people are creative and they have the most energy when they're young. People in their thirties are still working as an apprentice, that's not a good thing for the research capability for their country."

Some of my worst grants have enjoyed funding and some of my best have been rejected.

I once secured a \$750K federal grant, to be spread out over two years, channeled through a "to be left unnamed" NYC agency and I stood in shock and awe as I read the award letter. I kept looking for the NOT – *you have not been funded*, but all it said was that I had. It was an obtuse grant that I had written with a staffer and neither one of us had ever thought we'd win it.

Then there were the grants that were funded or rejected that, upon hearing the decision, I didn't initially recall ever even having written! Thank God for files! A few minutes of reading the executive summary and it all would come rushing back to me!

What's different these days as opposed to the good old days?

Things move very fast for sure. Clients move fast, program designs move fast, deadlines seem to move with the speed of light. One client recently called ONE WEEK ahead of the deadline on a complex work-force development proposal. "Do you have an existing program I queried? No. Any track-record in this area? No. A pre-designed program model? Nope. But you see Laurence, we really need this sort of program in our community. Well, I said, that's great, but instead of worrying about the RFP, let's do a community planning study and survey the need first and assess the existing services, create partnerships with other related providers and get ready to apply next year! I never heard from them again. Yes, things move very fast these days.

We've come to realize that the fundraiser's product is the program design and its measurable outcomes and impacts. That's what we're selling in the grant document. The grant document is a sales document.

What's the essential element of a grant that gets funded?

Preparation. Preparation. Preparation. You have to be extremely well prepared, and you want to give yourself a lot of time to put together a top notch product whether the proposal is 10 pages or 45 pages. In my experience, grants that are done last minute do not get funded. They are inferior. So if my deadline is June, I start writing not in April, but in March. I make every word count. Sometimes I work on a draft 5 times. You cannot do that unless you start early.

I avoid hype. I write it and rewrite it so that it's compelling. I want a reasonable person who is an expert in that field to say yes, that is a grant that should be funded. I insert the social history of the cause or issue whenever I can. Our memories need such reminders that we come from a place in time before us.

Some say that there's the good grant, the excellent grant, and the outstanding grant and that only the outstanding will get funded. As I noted above, some of my worst grants have been funded.

What are some things that can make a grant stand out from the others?

First of all, you have to remember, it's not just writing the grant, it's the track record the agency has. Part of the evaluation process takes into account the agency or person making the application. If you don't have a good track record, it's highly unlikely you're going to get a good grant. You have to start out by being a strong applicant. When I suggest to clients lacking a track record that they should consider partnering with a larger nonprofit or governmental agency to gain experience and piggy back on their track-record, they usually turn away from that counsel. I am sad about that.

What has stayed the same? What has improved?

At the LAPA office I often hear that private grants need great stories in them, but not so for government grants. Do you agree?

The world of grants is changing rapidly, along with most of modern society, and the grants professional needs to be aware of these changes. Some are minor trends which may or may not last, such as "social venture philanthropy," which grew out of the high-tech bubble of the late 1990s. Major trends, like the use of the Internet, are just beginning to show their impact.

Grantwriting has become a Distinct Profession

- Grantwriting has emerged as a separate field within fundraising. There is a growing demand for experienced, successful grant writers, and the number of grants consultants and of grants departments within agencies seems to be increasing.
- One indicator of this emergence is the formation of the [American Association of Grant Professionals](#) (AAGP) in 1998 (now called the Grant Professionals Association.) This occurred partly because the 40-year-old [Association of Fundraising Professionals](#) (AFP) focuses mostly on those who raise funds from

individuals. Because grant writing spans the private fundraising and government contract worlds, it requires knowledge and skills that are increasingly different from other types of fundraising.

- Government grants and contracts are driving changes in the field. Changes such as more nonprofits and local governments are hiring “grants managers,” who may or may not be doing actual grant writing.
- There are nonprofit institutes and nonprofit management degree programs at dozens of universities, as well as hundreds of grant writing classes offered by colleges, United Way affiliates, consulting firms, and technical assistance organizations. There are more grant trainers and training organizations, both locally and nationally as well as on the Internet — some good, some mediocre.
- Young people are considering nonprofit work, including grant writing, as a career and are being trained for it. From my observation in New York City, it seems that increasing numbers are calling themselves grants consultants, many with little actual experience.

Opportunists have emerged on the scene

- Hucksters are making money by selling innocent people worthless books and classes on how to get “free government money.” They appear on late-night TV, in newspaper ads, and on the Internet. Do a Google search for “grants,” and these show up as the paid ads on the right-hand side of the screen. Some of their victims have shelled out anywhere from \$40 for a book to thousands of dollars to become a “conference member,” then often end up calling a legitimate grant writer looking for help who has to break the bad news to these folks that they’ve been conned.

There’s More Competition for Grants

- More nonprofit organizations are formed every year. In 1992, 516,554 public charities were registered with the IRS; in 2002, there were 909,574 — a 76% increase. Approximately 25%, or 227,400, reported annual income over \$500,000. This group probably includes the ones most likely to be able to apply for and receive large grants.
- Local governments and public schools are increasingly seeking — and obtaining — private funding from sources that include private foundations. Some of them are setting up separate “friends” groups or operating foundations to seek funding for popular programs like schools, parks, and libraries. A growing number of grant making foundations that previously had shied away from funding government programs are responding, due to tax and service cuts at the state and local level, especially in education.
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- As state and local government funding for social services declines, more nonprofit agencies that previously supported their work through government contracts are seeking private funding, including grants. Also, agencies that were previously locally funded have begun to seek federal grants and contracts.

Funders are Looking for — and Receiving — Better Proposals

- Partly as a result of the increased competition and partly because of funder requirements, the quality of grant submissions is improving. This has led to more organizations using professional grant writers, either on staff or as consultants. But my colleague Susan Caruso-Green, a seasoned private grants manager says that “Getting a grant is like competing in the Olympics...the difference between the gold, silver and bronze medal winners and the next level down is a hundredth of a second.”
- Both public and private funders are looking for measurable results, better client outcomes, lasting change, and organizational sustainability. For many years now Government funders have required evidence-based “best practices,” literature searches, and logic models for “outcome-based evaluation.” To be competitive, an agency must be current in its field and document its practices. Some private funders are likely to start following the government’s lead.

The Internet has had a Huge Impact on Every Aspect of Grants

- Going online to research funders is now the norm. Most funders have Web sites with their guidelines posted and sometimes they provide lists of their grants. One important source of information is online subscription services, including [The Foundation Center’s](#) “Foundation Directory Online” and [GrantStation](#) and of course Guidestar.com. On Guidestar, you can access copies of most foundations’ 990 which typically contain grantee lists. The Foundation Center also provides a basic (incomplete) foundation search engine called “Foundation Finder” for free. However, as of this writing, a good, complete funder search engine that you don’t have to pay for doesn’t exist. The Internet has also replaced the library for other kinds of research — demographics, literature searches, community needs among them.
- The federal government has put most of its grants information online, including RFPs (requests for proposals) and supporting material, and most agency Web sites are very good. States and local governments are following this trend, albeit with mixed results. Most large foundations have good web sites and are posting in PDF format the guidelines, application forms, and annual reports that they used to print.
- Grants are written on computers, and drafts are traded back and forth between grant writer and program staff as e-mail attachments or on shared servers. Many grant writers work almost entirely on-line with clients, whether they’re in another city, only a couple of blocks away or even down the hall.
- Both government and private funders have moved to online applications. The federal government moved all of its applications to the Grants.gov system, requiring all submissions to be electronic. We all know how various online systems can be difficult to use because standard formatting has not yet been adopted. Online applications can be expected to improve, but we’re still a little battle-weary. My colleague, Sheldon Bart, a professional writer and grants officer at LAPA told me to tell you, be sure to work offline first before tackling the online forms! Also, be forewarned, and most grant writers know this already: the character counting functioning in Microsoft Word may be different than the character-counting functioning in the online-applications.

Foundations were Growing Until the 2008 crash---

... both in numbers and in assets. The total number of foundations had grown 255% in the last 20 years before 2005. In addition, The Foundation Center says that 40% of the larger foundations were established only since 1990.

- Foundations show the fastest growing changes in giving of any private source. Between 1975 and 2003, foundation giving increased by 375%, corporations by 185%, bequests by 135% and individuals by 142%. However, individual giving remains the largest source by far, with foundations accounting for about 10% and corporations about 5% of all private giving.
- The assets of American foundations have also grown. Most large foundations invest in the financial markets, and the rates of return from those investments can fluctuate over time. Many people bemoaned the steep losses in foundation assets from the stock market decline of the early 2000s and again with the recession of 2008-10, but if we take a slightly longer view, their asset growth has been phenomenal. By 2013, most foundations had recovered from the recession.
- *U.S. foundation asset growth.* In today's dollars, America's foundations held assets of more than **half a trillion dollars** and the capacity to give nearly **\$50 billion** in a single year.

From 1975 to 2008, the total [assets of U.S. foundations](#) increased from \$30 billion in 1975 to \$682 billion in 2007. In 2008, after the recession hit, the assets of charitable foundations declined to \$564 billion. Still, that's more than the combined assets of Exxon-Mobil ([\\$233 billion](#)) and Wal-Mart ([\\$170 billion](#)).

According to The Center on Wealth and Philanthropy, Foundation giving increased in 2011 to \$41.67 billion--a 1.8% increase from 2010. **Foundations gave \$46.9 billion** in 2011, up 2.2 percent from 2010. (Source: [The Foundation Center](#), 2012)

- Of total foundation giving in 2010:
 - 71% came from independent foundations
 - 9% came from community foundations
 - 11% came from corporate foundations
 - 9% came from operating foundations.

(Source: [The Foundation Center](#), 2012)

Total Foundation giving in billions of dollars.

- A shorter term look at foundation giving shows the growth in current dollars. Since most foundations give at the required 5% payout, we can assume foundations assets have recovered at about the same rate. According to the Foundation Center, most foundations are projecting an increase in giving in 2012.

- The total number of foundations has grown 155% in the last 20 years. The Foundation Center says that 50% of all foundations and 40% of the larger ones were established since 1990.

Number of foundations in the United States.

This growth in number and wealth of U.S. foundations is driven by demographics and shows no signs of declining in the near future. At least four factors are contributing to this:

- Wealthy people are dying and creating or enlarging private foundations in their wills.
- Wealthy people are aging and creating or enlarging private foundations as part of their estate planning.
- Newly rich people are creating their own foundations. (The most famous example is the Bill & Melinda Gates Foundation, the world's largest.)
- Although financial markets will certainly fluctuate, it seems unlikely that they will fall to pre-1990s levels. Because of this prosperity, existing foundations have more assets than ever and will be making more and larger grants, and newly created foundations have more wealth to contribute.

The nature and distribution of foundations is changing

- The geography of foundations has changed dramatically in the last 30 years.
- In 1975, most foundations were clustered in the Northeastern states, plus California, Florida and Texas. Only 13 states were home to more than 500 foundations, only 6 had more than 1,000 and only New York had more than 2,000.
- In 2003, 32 states had more than 500 foundations, 12 had over 1,000 and nine (California, Florida, Illinois, New Jersey, New York, North Carolina, Ohio, Pennsylvania and Texas) boasted more than 2,000.
- While the Coasts house most of the private foundations, the Midwest has the largest number of corporate foundations.
- In addition, the sources of capital for foundations have changed. Of the top 25 largest foundations, four are high tech money: Gates (Microsoft), Hewlett (Hewlett Packard), Packard (Hewlett Packard), and Moore (Intel).

Private funders want to be more involved in their giving.

- *Program Related Investing (PRI):* Private funders such as foundations and corporations generally fund projects through grants, but some take a different approach of making loans or even equity investments in projects related to their interest areas. These program related investments are done to preserve the capital of the funder, to facilitate major construction such as low income housing, to promote economic development or to assist very low income individuals to become self-sufficient. The numbers of PRI's and dollars involved have slowly but steadily trended upwards.

- *Social Venture Investing*: During the 1990s stock boom several new foundations were created by altruistic entrepreneurs who wanted to address social needs, bringing their venture capital and management skills with them. They tend to want to be very involved with the organizations they fund, for better or worse (many did not understand how nonprofits work). With the dot-com bust and market gyrations, this trend has subsided and it remains to be seen whether it will have a lasting influence.
- *Gates Foundation*: The Bill and Melinda Gates Foundation has a huge impact because of its size (the world's largest at over \$36 billion). However, the Gates Foundation's focus on international health care and its strategy of partnering with researchers, governments, drug companies, the United Nations, other funders, large NGO's and local health organizations to make systemic change (such as immunizing all of the world's children or eliminating malaria) is a new model of philanthropy which may be adopted by others.
- *Micro loans*: An experiment called the Grameen Bank, begun about 30 years ago in Bangladesh, made small loans to impoverished villagers, mostly women, to start small businesses, has spawned a network of microlenders lending about \$24 billion annually. E-bay founder Pierre Omidyar donated \$100 million to Tufts University to create a new microlending program.
- *Charitable Gift Funds*: During the late 1990s, for-profit mutual fund companies began establishing "charitable gift funds" which operate like community foundations, accepting irrevocable gifts for "advised funds" from donors who would then be able to deduct the contribution and make recommendations on distributions of these funds. By 2007, the Fidelity Gift Fund had assets exceeding \$9.8 billion from 45,000 donors.
- *Community Chests* have suffered because they did not market their services to prospective donors. It's a sad story because the for-profit funds beat the Community Chests at their own game!

Government Funders

- Many states and local governments have declining revenues due to tax limitation initiatives. At the same time federal unfunded mandates are increasingly putting pressure on state budgets. As a result, there are fewer state and local grants available.
- The federal government has been cutting back funding to social services, housing, arts and other grant areas since the 1980s, with increasingly deep cuts since 2000. Federal grant programs are being reduced or delayed as Congress struggles annually with appropriations bills.
- Federal agencies are a decade or more into promoting and training "faith-based" organizations to apply for grants. There are faith based and community initiatives in seven cabinet-level agencies (Justice, Agriculture, and Labor, HHS, HUD, Education and AID) as well as Veterans Affairs, SBA and the Corporation for National and Community Service. To what affect I am not sure.

Corporate funders

- Consolidation in many industries has resulted in fewer headquarters companies in many states, resulting in fewer large grants and less industry leadership in community affairs.
- Many companies are targeting their giving to areas like public education or children's issues, resulting in less general community support.

- There was a move towards, and then away, from sponsorships and “cause related marketing”, which involves partnership of companies and nonprofits to fund programs while marketing company products or image.
- Corporations are increasingly multi-national/global. Some no longer fund the local community around their facilities -- they view the world as their community.

Public Scrutiny

- There is more scrutiny of nonprofits and calls for increased oversight and regulation, by Congress, the IRS, state governments and a skeptical public.
- With the requirement to make 990s public, then their being posted on the Internet at Guidestar.com, nonprofit finances are public record.

International Grant making

- International grant making is about 11% of total U.S. foundation giving. International funding by the top 1,300 foundations who give internationally totaled \$4.3 billion in 2010, down from \$6.3 billion in 2008. International support declined from 24.4 percent to 21 percent of overall giving. (Excluding the Bill & Melinda Gates Foundation, these shares would be 15.5 percent and 14.1 percent, respectively.) By share of number of grants, however, international giving remained mostly unchanged at 9.1 percent. Among these top funders, international giving dropped 40 percent during this two-year period. International grant dollars as a share of overall giving declined between 2008 and 2010, while the share of number of grants has held steady.
- There are more partnerships among funders and with NGO’s and governments.
- There is a growing preference for funders to fund U.S. based groups to do international work, rather than fund overseas agencies directly.

In closing, let me share the most recent findings from “The State of Grant seeking” report Fall 2012, from Grantstation and Philantech and then we’ll open it for your reflections.

Thanks.

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