

## Grant Costs: Are they worth it?

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by Cassandra O'Neill

Question: What do getting a grant and taking a payday loan have in common? Answer: They cost you much more than what you receive.

Almost all grants require organizations that receive them to spend MORE money to implement the project or program -- than they are receiving. Sometimes the amount that an organization needs to spend in addition to the amount of the grant they are awarded - is very large. The opportunity costs, what they could have done with those resources if allocated differently, is very costly to the long term stability, growth, and sustainability of the organization.

The consequences of this can be similar to what happens to someone who borrows money from a payday loan place, they end up paying much more in interest than they initially borrowed. This puts them in a much more precarious financial position than they were in before they borrowed the money. There has recently been some public discussion about the predatory lending practices of these payday loan places, and what can be done about it. I heard someone last week say "550% interest – that used to be called the Mob." While it is clear how this level of interest negatively impacts the financial stability of individuals borrowing money, what is sometimes hidden but equally true is how the costs of managing grants negatively impacts the financial stability of organizations receiving grants.

What if the conventional wisdom that getting a grant is a way to increase the impact, financial stability, and sustainability of an organization is not the reality? What if the reality is that pursuing and getting grants may increase the budgets, staff, and services delivered in the short term – but what if it actually undermines the overall and financial stability and sustainability of organizations in both the short and long term? What are the costs of pursuing, implementing, and managing grants?

The costs of pursuing grants are very high. The vast majority of submitted grant proposals are not funded, and the cost of writing them can be very expensive. It takes around 200 hours to write a federal grant proposal, which can translate to a minimum of \$20,000 dollars in staff time and associated costs. Even simple letters of intent can cost between \$100- \$1,000 to write.

I recently heard a foundation staff person proudly announcing that they put out a Request for Proposals because they had \$1,500 to give away. I thought I misheard him, that surely a foundation wouldn't require organizations to write proposals for that little money. In fact, they had. And he said that 50 organizations applied. If you do the math, they cost the community a minimum of \$5,000 if you figure 50 applications x \$100 – to give away \$ 1,500. What kind of return on investment is that? It is a negative one. They are taking more money and resources out of the community than they are giving away! Shouldn't there be some kind of minimum Community Return on Investment when funders are asking the community to dedicate valuable staff time to applying for grants?

Let's look at a larger grant. A federal agency awarded grants to 12 organizations, over 200 had applied. The cost to the nation of writing those 200 proposals was over \$4 million dollars if you calculate \$20,000 per application x 200 applications. This is very typical in terms of the numbers of federal proposals received and awarded. And this \$4 million is just the cost to the nation of responding to one Request for Proposals. Multiply that by the 5 or 6 Request for Proposals that are published in the federal register every day, and it is staggering. Couldn't those resources be spent in better and more impactful ways? YES!

What about the costs of implementing and managing grants? The known costs are what is called match. Often, grants require that the applicant dedicate their own resources, either cash or in-kind (donated personnel time, equipment, or supplies). Sometimes these requirements are as high as 50%. Why is this done? Presumably these requirements are used to increase the likelihood that the grant activities will be continued after the grant.

Do these large matching requirements actually do this? Most often they do not. Why not - because funders primarily want to fund new programs. By requiring existing staff to work with grant funded staff on new programs that will not continue after the grant – they merely take the focus of the existing staff and move it to developing and implementing new programs that require outside funding to continue. And the amount of time and money that is required to track and document the match is enormous, and is in addition to whatever is documented. Additionally, there are costs to the agency that are above the match costs. Managers, staff funded partially by the grant, human resource staff, and accounting staff frequently spend much more time on grant administration than is covered with grant funds or documented as match.

For example, grants to community colleges and universities are particularly expensive to manage. They often require enormous amounts of time from faculty and staff that takes away from their ability to do their primary jobs – teaching and conducting research. Faculty are often expected to work 60-70 hours a week because of the added responsibilities related to grants. Working the additional 20-30 hours a week is expected as part of their job, and comes at a great cost to them personally and professionally. The cost of this overtime is not reflected in grant costs or match because they receive no additional compensation. This undermines their ability to accomplish the objectives of the grant and carry out their primary job responsibilities.

Invoicing is another challenge, particularly when subcontracting with another entity who is the lead agency. Sometimes the staff time dedicated to trying to get the invoices created and sent actually costs more than the college is getting from the grant. Sounds unbelievable? It is true.

The report *Drowning in Paperwork, Distracted from Purpose: Challenges and Opportunities in Grant Applications and Reporting by Project Streamline* [http://www.projectstreamline.org/doc/PDF\\_Report\\_final.pdf](http://www.projectstreamline.org/doc/PDF_Report_final.pdf) talks about the burdens and costs of managing grants, and outlines some solutions. In the long run, changing the requirements of applying for and managing grants would reduce the costs and burdens on applicants and recipients. In the short-term, if you want to increase your financial stability, increase the effectiveness of your resources, and increase your impact – your organization may be better off applying for less grants, and focusing your efforts on doing more that is sustainable with the resources you have now. Even though in the short term this may mean smaller budgets, less services offered, and less revenue – it will immediately lead to an increased ability to focus on your primary mission and what is sustainable WITH existing funding.

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