

What is General Operating Support and Why is it Important?

How can grantmakers expect nonprofits to deliver on their missions when many of them are struggling just to stay afloat? How can grantmakers expect nonprofits to perform effectively when they don't have the funds they need to invest in decent salaries, technology and other infrastructure? As grantmakers determine how best to help nonprofits succeed in this difficult environment, one practice stands out as part of the solution: general operating support. Nonprofits can use this unrestricted funding as they see fit to address urgent and emerging issues, boost salaries and benefits, invest in technology and other infrastructure, strengthen communications and fundraising efforts and meet other operational needs. This piece lays out the key components of general operating, or unrestricted, support and why it is important for both nonprofits and grantmakers alike.

The Importance of General Operating Support

General operating support is a grant in support of a nonprofit organization's mission rather than specific projects or programs. General operating support is the working capital nonprofits need to sustain their day-to-day operations. A lack of working capital can prevent organizations from meeting basic operational needs, like payroll and rent.

There is strong case to make for grantmakers to provide general operating support. Reasons include:

- Enabling nonprofits to build a strong and sustainable infrastructure to provide programs and services that will have the greatest impact.
- Freeing up the time nonprofits normally spend on raising money and reporting, so they can direct their spending where it is needed and focus on running effective programs.
- Easing fundraising pressures on nonprofit executives, reducing burnout

For more on this topic, see [General Operating Support: GEO Action Guide](#) (Washington, D.C.: GEO, 2007).

and allowing them to focus on the mission.

- Fostering innovation and risk-taking by providing nonprofits with resources and bandwidth to take advantage of new opportunities as they arise.
- Reducing the power imbalance between grantmaker and grantee by allowing nonprofits to devise their own solutions based on their vast experience in the community and field. This also signals greater trust between a grantmaker and grantee.

According to [GEO's 2011 national study of philanthropic practice](#), 80 percent of foundations devote a portion of annual grantmaking budget to general operating support grants. Yet, despite these findings and the obvious advantages that general operating support brings to a nonprofit's work, there are still misperceptions about this type of funding.

These misperceptions continue to limit the amount of unrestricted support that grantmakers are willing to provide, which perpetuates a chronic underinvestment in nonprofit infrastructure, capacity and staff. It also makes it more difficult for nonprofits to talk about their real costs and needs with funders.

Myth versus Reality

While there are a number of myths that get in the way of grantmakers providing general operating support, the reality is very different. For each myth about general operating support there is a reality that contradicts it:

Myth	Reality
"We shouldn't be supporting our grantees' operating costs."	Like other organizations, nonprofits need working capital to succeed. If they underinvest in salaries and other infrastructure costs, they will eventually hollow out their finances, strain capacity and end up less effective.
"This will only encourage grantees to increase spending on salaries and other administrative costs."	Cases of exorbitant nonprofit staff salaries are few and far between. The reality is that most nonprofits pay under the market rate for their staff.
"We're adequately supporting nonprofit infrastructure through the overhead associated with	Grantmakers rarely cover all associated direct and indirect costs of funded projects. In some cases, this is because nonprofits

<p>our project grants.”</p>	<p>lack the capacity to account for such costs accurately. More often, it is because the percentages grantmakers allow are arbitrary and too low.</p>
<p>“Supporting projects ensures a better fit with our mission.”</p>	<p>The alignment between a grantmaker’s goals and strategies and the grantee’s work is a key consideration. But even if a grantee’s work aligns with only one aspect of the grantmaker’s mission, general operating support is still a viable option. If the grantee is doing important work that supports one of the foundation’s goals, it may be a good candidate for general operating support.</p>
<p>“By providing general operating support, we are going to reduce our influence and our impact as problem solvers. We can’t help shape programs anymore.”</p>	<p>If a grantee contributes to a grantmaker’s mission and goals, increased general operating support can lead to greater impact for both parties. General operating support also can strengthen the relationship, leading to more influence for the grantmaker and a more productive partnership because a deeper relationship means more meaningful dialogue about the work and what’s needed.</p>
<p>“General operating support grants are not as accountable as restricted project grants.”</p>	<p>Because project grants are designated for a specific purpose and a specific set of activities, it is easier to track those funds. However, if you are interested in understanding the organization’s progress or outcomes, there is very little difference in accountability between project and general operating support. In both cases, the grantmaker needs to work with the grantee to design evaluation questions that help understand the impact of the grantee’s work.</p>
<p>“General operating support causes grantee dependency and ultimately hurts</p>	<p>General operating support can help nonprofits build the fundraising, planning and other systems they need to strengthen</p>

sustainability.”

their funding sources and sustain their organizations over time. With that said, the vast majority of nonprofits will always be dependent on grantmakers and other donors to support their work. A grantmaker’s chief concern should be to ensure that grantees have the support they need to make a difference for the communities they serve.

Despite the unrestricted nature of general operating support, providing it does not mean that grantmakers forfeit the ability to influence how grant dollars are spent or to track the outcomes of their investments. Further, the consequence of not providing general operating support is more of the status quo: nonprofits without the infrastructure they need to perform effectively, widespread burnout among nonprofit leaders and a lack of openness and trust between grantmakers and grantees.

An additional negative consequence of a lack of general operating support is that nonprofit organizations that find themselves in a financial bind may divert from their missions. An overreliance on program support can create a situation in which organizations design programs not to achieve the best results they can for the populations or the communities they serve, but to coincide with what they perceive as the desires and whims of their funders. They may be more attentive to what will get funded than to what will work.

Conclusion

A good first step for grantmakers who are interested in learning more about general operating support is to talk to their grantees about the full costs of the work they do. Donors Forum developed “[Real Talk About Real Costs](#)” as a way to catalyze conversation among funders and nonprofits with their staff and board about the real cost of nonprofit programs and outcomes and the need for a cultural shift in how the sector views overhead. By shifting away from restricted, project-specific funding to more general operating support, fewer nonprofits and community leaders will have to make the unenviable choice between directing funds toward programs and services or to their organizational health.