Funding Burden:

What it is, why it matters and how to lighten the load

What if we gave a $10,000 grant but only $9,000 was received?   And what if our $100,000 funding programme delivered only $45,000 of community benefit? We'd probably be outraged. Unfortunately, due to a concept I call "funding burden", this happens frequently – and we need look no further than the mirror for the responsible party.

What is funding burden?

Here are some definitions of key funding burden concepts:

Funding Burden: The dollar value of the time involved for applicants to apply for and report on grants plus any costs incurred

Net Grant: The actual money received by a grantee minus funding burden

Net Funding: A funders net community benefit – ie the money received by all grantees minus the funding burden for both successful and unsuccessful applicants

Here's a hypothetical example:

The scenario: You have $100,000 to give away in 10 grants of $10,000 each.

Assumptions: Let's choose round numbers – assume that 100 organisations apply, they spend an average of 10 hours each applying then another 10 hours reporting on the grant. And let's say that the average pay rate for the people undertaking this (often the CE) is $50 per hour.

Net grant for successful applicants: $9,000. This is calculated by taking the total grant of $10,000 and subtracting the cost of applying ($500: 10 hours @$50/hour) and then the additional cost of reporting (a further $500: 10 hours @$50/hour)

Net grant for unsuccessful applicants: -$500. This is calculated by subtracting the 10hrs spent applying @$50/hour from the $0 received.

Net funding: $45,000.   This is calculated by taking the total funding of $100,000 then subtracting $50,000 (the cost of 100 applicants to spend 10 hours each @$50/hour to apply for the funding) then subtracting a further $5,000 (the cost of the 10 successful applicants to spend 10 hours @$50/ hour reporting on their grants)

Under this scenario, the net funding is less than half the actual money on offer – and this doesn't include the operating costs incurred by the funder in administering the grants. Sadly it is completely possible for complex and competitive funding schemes to have negative net funding.

Of course we can argue the assumptions above. But however we look at it, the net community benefit of our funding, once funding burden is taken into account, is often considerably less than the total amount given.

Why does this matter?

Every hour a grantee spends seeking and keeping grants is an hour not spent working with the community the grantee serves. Furthermore, fundraising frustrations are a leading cause of burnout for CEs of community organisations.

Put a different way, *some of our grant-making practices reduce the very impact we seek to make*.

How bad can it get?

Not only is it possible for net funding to be a negative value, one organisation told me their net grant from a government department was negative – even though they were successful in receiving funding. Why even apply? They felt they couldn't afford not to; that their credibility would be damaged if they didn't apply. And, because of the power imbalance inherent in funding relationships, nor did they feel they could give free and frank feedback.

Clearly, out-of-control funding burden is unhelpful, unfair, unreasonable and unnecessary for all involved – most particularly for the communities that both funders and community organisations are set up to serve.

And yet we need accessibility and rigour!

The processes creating funding burden are there for good reason however. As grant-makers we strive to provide accessible funding, select grantees wisely and understand our impact.

We provide contestable funding so that everyone has a fair shot rather than funding being dependent on whom you know.

We have robust selection processes to maximise the chance that funding goes to the most effective organisations.

We have robust reporting processes to reduce fraud and to try to understand the impact resulting from the funding.

So is there a win-win where processes are robust AND funding burden is minimised?

Finding the sweet spot

There are many practical things funders can do which combine grant-making rigour while lightening the funding burden. Here are some suggestions:

- **Be clear** and upfront about what won't get funded – it is a waste of everyone's time to receive applications with little chance of success. It isn't hard to be clear on criteria and to have open and honest discussion about projects on the margins.

- **Measure** how long it takes to apply and report. All this requires is including optional fields for applicants to tell you how long the process takes. (You do need to be clear that this is for your review of your processes so applicants don't think it is a trick question!)

- **Stage** the burden – use a 2-step process where applicants provide brief proposals or expressions of interest first. These go through a short-listing process and a much smaller number, all with a good chance of success, are asked to write full proposals.

- **Share** the burden – funders can do the leg work too. A useful rule of thumb is for funders to spend about the same amount of time assessing a full proposal as it takes the applicant to write it. Why ask anything you are not prepared to do yourself?

- **Proportionality** matters – vary the burden depending on what's on offer. It is reasonable to ask for significant information to assess a very large grant. But if a grant is small – or you already know and trust the grantee - make things quick and simple.

- **Combine** responsive and proactive funding. An easy way to reduce funding burden is to shoulder tap applicants (proactive funding). However the disadvantage is that funding is dependent on who you know, and not everyone gets a fair go. Providing some funding through a contestable process and, where appropriate, using a proactive approach for other funding streams may provide the best of both worlds.

- **Multi-year funding** is better for everyone. You can't change the world in a year. You can't even employ someone to change the world in a year. Multi-year funding has more impact and less funding burden.

- **Re-think reporting.** For grantees, accountability reporting is usually an irritating and time-consuming chore, and the end result is often unacknowledged, sometimes unread and rarely used as a learning tool. Standardising or re-using reporting and evaluations with other funders, providing opportunities to report in person and reviewing the information really required are possible ways of making our reporting efficient and useful for both parties.

So let's take a long hard look in the mirror – and start lightening the load.

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