The Value of Operating Grants

Securing funding is a daily struggle for non-profit organizations. Trying to fit an organization’s request to a funder’s specific guidelines can be particularly challenging.

Most grants awarded by foundations, corporations and governments can be categorized as two types, operating grants or project support grants.

Operating grants are the least constrained form of funding support. These grants typically go to core operating costs, annual campaigns, income development and management-capacity building.

Unrestricted grants can be used to support the general expenses of an organization, from a specific program to the heating bill.

A project grant is given to support a specific, connected set of activities, with a beginning and an end, specific objectives and a predetermined cost. It is generally a restricted grant and must be used for that project. These can be planning grants, seed money or start-up grants, capital grants, or endowment grants. The project grant is based on an organization’s annual campaigns, income development and management-capacity building.

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Contracts Asset Spotlight:

Phipps Conservatory and Botanical Gardens

“The valuable annual support for operations from the Allegheny Regional Asset District has provided Phipps with the impetus to move confidently into the future with increased energy and focus. It is a springboard for programs to reach new levels of beauty, excellence, and impact for generations of Western Pennsylvanians, who have flocked to Phipps to experience flower shows, exhibits and educational programs that remain virtually without parallel among America’s conservatories.

“Environmentally sophisticated - elegant - timeless - all are words that apply perfectly to Phipps Conservatory and Botanical Gardens’ visionary expansion plan. The expansion plan will create a multi-structure conservatory complex of international importance that will serve Western Pennsylvanians for generations hence. Additions to Phipps, one of America’s first park conservatories, will feature a crystal-palace domed Welcome Center, Production Greenhouse, brilliant Tropical Forest Conservatory, public banquet and conference Pavilion, and program-enhancing Education-Administration Building.”

- Richard V. Piacentini, Executive Director, Phipps Conservatory and Botanical Gardens

Since 1994 Phipps has received $17.3 million in operating grants from RAD, including $1.935 million in 2005.

CIRCULATION UP AT RENOVATED CLP BRANCHES

The recently renovated branches of the Carnegie Library of Pittsburgh have inspired a dramatic increase in circulation:

- an 89% increase in total circulation of items and a 101% in Children’s/Young Adult books at the Homewood Branch (1st quarter 2002-1st quarter 2004);
- a 52% increase in total items and a 101% increase in Children’s/Young Adult books at the Hazelwood Branch (April 2003-April 2004);
- a 42% increase in total items and 79% increase in Children’s/Young Adult books at the Brookline Branch (February-April 2003 to February-April 2004). Libraries comprise 31% of RAD grants in 2005.

RAD BOARD NEWS:

New At-Large Member to Join in July:
Applications Due in July

At its meeting on May 24, 2004, the Board of Directors of the Allegheny Regional Asset District elected Dr. Herman A. Jones, Jr., as the at-large member of the District Board. Dr. Jones’ two-year term will begin on July 1, 2004.

Dr. Jones is an associate professor in the department of Sociology, Anthropology and Social Work at Slippery Rock University. He has a distinguished record of service as a staff person for and consultant to many area social service agencies. He is a resident of the City of Pittsburgh.

The Board of Directors of the District is comprised of seven members. The at-large “seventh member” is a person who comes from a list of nominations secured by regional economic and community development organizations, and is then elected by the appointed members. The terms of appointed members correspond with the term of the elected official. The at-large member serves a two-year term. Dr. Jones’ term will begin on July 1, 2004.

The Board awarded a certificate of appreciation to Mr. Wes Blaha, outgoing board member, for his more than 10 years of service first as an advisory board member and than as an elected board member.

At the same meeting, the Board approved the year 2005 application and eligibility criteria. 

Applications are due at the RAD office (One Smithfield Street, Suite 310, Pittsburgh, PA 15222) by 4:00PM on Monday, July 19th. No exceptions.

Congratulations to Saltworks Theatre Company: your 2005 application is the first received at the District office! You get first choice of time slot for your presentation at the annual grant hearings later this summer. Contact Judy Doyle, RAD Office Manager, to schedule your time.

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- Patrons Respond Positively to Renovated CLP Branches

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capacity to carry out specific activities, and reflects the specific goals of a funder.

There are also hybrids, such as the negotiated general operating support which is based upon an agreed-upon strategic plan with outcome objectives. The funder engages in due diligence.

The benefits of operating grants are wide-ranging: Flexible dollars enable grantees to build and maintain the hallmark of an effective organization (professional development, technology, financial management); An organization can address internal needs and can strengthen infrastructure; Sustainability and overall excellence are enhanced; The ability to follow the organization’s own strategic plan means less fragmentation.

The hallmark of RAD grantmaking activity since its inception has been unrestricted operating grants. From 1995-2003, the District has awarded $562.7 million in operating grants, or 93% of its grant fund. By contrast, 11% of grants budgets of the country’s largest foundations goes to general operating support, according to the Foundation Center.

While RAD operating grants are unrestricted, the District does perform due diligence function in accordance with Act 77, which created the District in 1993. Contractual assets (which, starting in 2005, receive funding commitments for five years) must enter into cooperation and support agreements with the District. These agreements detail the governance and operations of the asset, long-term plans for finance and development, performance and financial goals, and assurances that measures be undertaken to maintain and improve the assets. Annual grantees also must enter into a contract, must report on their activities and outcomes through close-out reports, and must provide (when their grant amount requires it) a financial audit.

Applications for RAD funding also require descriptions of mission, how the RAD grant will be used, outreach to underserved communities and children, as well as financial information. District staff regularly attend Board meetings of contractual assets, and conduct performance and business site visits at both contractual and annual grantees.

Annual Asset Spotlight: NEGO GATO, Inc.

"Unrestricted operating grants are critical to the growth of small and mid-sized arts organizations for a number of reasons, but one is central: These grants provide help for the supporting cast (operating costs) so that the stars (programming for which the organization is known) can continue to WOW the audience (constituencies outlined in mission).

"As the extent to which we are able to fulfill the mission of our organization expands, so too expands the demands placed on us by the financial superstructure in which our mission is enacted. When we first begin in the development of our organizations, we are almost all completely mission focused and are not even thinking about (if we are even aware that they exist, there probably needs to be some kind of kit that comes with your IRS determination letter) Accountants, 990’s, Payroll taxes, General Liability Insurance, Workman’s Compensation Insurance, Support staff, Marketing and the list goes on.

"Unrestricted support allows our organizations to meet the real behind-the-scene costs that are necessary for the fulfillment of our missions, and facilitate the addition of ‘the necessary RAM’ to our operating systems so we maintain the effectiveness and legality of our programming.

"RAD’s support has assisted NGI in a number of ways: It has supported the paying of the aforementioned Workman’s compensation insurance, so that we have the necessary protections when carrying out our jobs (needed when performing backhand springs, handstands and the like). In addition, this support has helped NGI move into a new space that will allow us to increase our productivity by untold percentages and impact. This move consolidated our rehearsal, storage and office space, increased our rehearsal time, expanded the number of youth served and is helping to develop a clear physical identity in the community.

Nego Gato thanks the RAD Board for their support in serving our mission and constituencies."

- Justin Laing, Assistant Artistic Director, Nego Gato, Inc.

Nego Gato, Inc. is a first-time RAD grantee in 2004, receiving $2,500 in operating support.

Nego Gato artist Sula Capoeira. Photo by Josh Franzos.