

CASE STUDY

OCTOBER 26, 2016

✓ PREMIUM

Here's a Grant Maker That Wants to Pay Your Indirect Costs. Really.

By Drew Lindsay



The six-page request for grant proposals looks fairly standard. It asks for a “short and punchy” summary along with budget data and related information. But page two offers something surprising: a robust discussion of the perils of underfunded nonprofits, topped with the instruction, “Please ensure that your indirect costs are fully covered.”

These words are part of the application the Hewlett Foundation put together for organizations seeking funding from its Madison Initiative, a three-year, \$50 million effort to reduce partisanship in Congress. Daniel Stid, director of the Madison program, hopes the language signals that Hewlett is committed to paying the true cost of

grantees’ work.

Just as important, he hopes nonprofits see it as an invitation to be candid and give accurate estimates of their indirect costs, not low-ball estimates.

“We will pay whatever it is,” he says, “but if you don’t ask for it, we can’t pay it.”

Hewlett has long favored awarding general operating support and generously covering overhead expenses on project grants, Mr. Stid says: “Eroding the capacity of grantees is just a bad thing. It’s not our style.”

When the Madison Initiative began in 2014, groups aiming to strengthen representative democracy often received only project-based grants that coincided with the two-year Congressional-election cycle, the program chief says. He has focused Madison grants more on long-term funding, with 60 percent of the money awarded in 2016 supporting general operations.

On project grants, Mr. Stid wants proposals to include full numbers for indirect expenses. The application itself links to a free toolkit developed by the Bridgespan Group, a philanthropic consultancy, to help grantees calculate overhead costs.

But Mr. Stid also wants to persuade groups to be candid, which he says is not easy. He says leaders of two organizations that are outspoken about full funding submitted grant requests with suspiciously low indirect-cost estimates – one at 10 percent of the grant, another at 15 percent.

“I went back to both of them and said, ‘Really, guys?’ ” He says the applicants quickly came back with revised numbers.

Hopefully, Mr. Stid says, the language in the Madison grant proposal will convince all applicants to present true costs without such a nudge. “We’re trying to explicitly give people permission.”

Read an excerpt of the Hewlett Foundation’s grant application.

Send an email to Drew Lindsay.