

Devising a Grants Formula

You enjoy the widest latitude in deciding how to allocate your grant funds. You need only ensure that the grants conform to legal requirements.

You can direct your entire grant fund to one nonprofit organization, to several nonprofit organizations within the same field of interest (such as education or the environment), or you can aim at targets of opportunity as they arise. You're the boss when it comes to deciding on a grants formula. This characteristic is one of the great strengths of the private (family) foundation, and one of the central appeals that the private foundation holds for founders.

Consider these two approaches. On founder is determined that grants will support education of youngsters from low-income backgrounds what are interested in science. This founder might adopt at the outset a formula that allocates grants as follows:

- **10 percent** to a public education campaign about opportunities in science;
- **60 percent** to build a scholarship endowment in a local public high school; and
- **30 percent** to build a scholarship endowment at the founder's alma mater.

Another founder also has strong ideas about the grantmaking strategy (to support new American music composition), but as startup day approaches, other members of the family begin to speak up. A couple of the founder's siblings and children advocate for environmental grants and the grandchildren want money to support Native American causes. Then, after much reflection, the founder's spouse weighs in with a proposal to support a local arts program.

This founder's problem is that family pressure is accompanied by very strong and well-presented reasoning. The family debates the familiar trade-off: a few large, focused grants accomplish more (it is argued) than do several smaller, more scattered grants. But, the point is made that foundations can trigger more support, generate activity, and effect change with small grants as well as large one. The founder finally settles on this formula:

- **50 percent** to support new American music composition, with grantees largely selected by the founder;
- **20 percent** to support environmental activities, with recommendations for grantees made by family members interested in that field;
- **20 percent** to support Native American causes, with recommendations for grantees made by family members interested in those causes; and
- **10 percent** for discretionary grants to be made by the founder with suggestions from family members.

GOOD ADVICE > No one formula for dividing the grants budget is better than another. What's important is that the one you choose suits your family. Some families function best with strict rules for dividing the grants budget; others prefer a more flexible policy. You know your family best — and you will get to know them even better by working together. If you generally get along well and know how to negotiate compromises, you may do well with a looser approach to dividing the budget. If, however, your family members tend to be competitive or concerned that one person or branch is getting more than the other, you will have to take extra care to devise a formula that is acceptable to everyone. Often arguments over how to divide the budget are not so much disagreements over proposals as symptoms of spoken and unspoken rivalries between individual board members, generations, or family branches.