

# Special grantmaking

A purposeful, flexible resource for foundations

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## Introduction

The landscape of U.S. philanthropy is populated with many foundations that are guided by a long-term commitment to move the needle in a finite set of issue areas. These foundations frequently also hold funds that can be flexibly deployed for nascent opportunities, innovative ideas, emergencies, local causes, and/or areas of special interest to their leaders. Such funds support a range of pursuits and go by a variety of names, including but not limited to “president’s initiatives,” “special initiatives,” “special projects,” and “special grants” – the term of art used in this essay.

Special grants are not always advertised publicly. They are often awarded independently of, and through a process that differs from, grants made through a foundation’s strategic programs. Yet, special grants are more than purely discretionary.<sup>1</sup> They are made with purpose in mind and are meant to advance the holistic goals of their respective foundations.

Rooted in the authors’ own experience and observations of the philanthropic field, this article explores the purpose of special grants, how they are made and monitored, and their advantages and challenges. It carries perspectives and lessons that can inform foundations conducting – or considering – special grantmaking.

## Why special grantmaking?

Foundations that choose to pursue a limited number of strategic goals inherently demonstrate a willingness to close the door to potential grants that are unrelated. But, for a variety of reasons, some of these foundations also set aside funds for special grantmaking – including the S. D. Bechtel, Jr. Foundation.

While not exhaustive, this article focuses on three major motivations animating special grants:

- 1 Enable active programs to sustain focus** by making space for grants that do not fit the mold of existing programs
- 2 Allow for exploratory grantmaking** to learn about new issue areas and respond to emergent opportunities and demands
- 3 Catalyze and deepen partnerships** with other funders

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<sup>1</sup> The special grantmaking considered in this article excludes purely discretionary grantmaking, through which funds are set aside for individuals (e.g., founding family members, board members, foundation staff) to give to eligible charities based on their personal priorities. The National Center for Family Philanthropy explores this topic in its special collection on [Discretionary Grantmaking](#).

## Enable active programs to sustain focus

Special grants can ensure that funds are available to pursue broad philanthropic interests in ways that avoid zero-sum conflict with standing programs. Examples include grantmaking to local institutions in a foundation's backyard and support for causes that are not a natural fit for its standing programs. Without a special grants fund, a foundation intrigued by such opportunities might contort an active program's grantmaking or claw back money from a preexisting commitment. This can complicate planning for program staff and the fields they support.

While funders' strategies are certainly subject to change, the point here is that a grantmaker should not shift suddenly to accommodate a wholly separate program interest without considering the impact on current grantees and fields.<sup>2</sup>

Special grants can even be used to enhance existing strategic programs. For example, the Russell Sage Foundation pursues time-limited special initiatives that "are intended to generate new research with an emphasis on any of the foundation's core programs." Some foundations make special grants to contribute to capital campaigns that advance existing grantees' missions through new buildings or renovations, especially when primary program budgets do not accommodate this type of award. Special grants might also supplement existing program budgets – supplying resources to invest in opportunities aligned with a strategic program that emerge after that program's grantmaking budget is already committed.

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### CHALLENGE:

#### When individual and institutional priorities become blurred

Strategic programs – the north star for many foundations – can remain focused when the demarcation between special grants and strategic program funds is real and clearly understood by foundation board and staff. According to foundation executives [Julia Lopez](#) and [Tom David](#), when that boundary is blurred, use of special grant funds "can be a slippery slope and quickly lead to more substantial resources being directed to a CEO's personal priorities, as opposed to those of the institution."

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### MITIGATION:

Set an annual special grants budget at a consistent dollar amount or percentage of annual giving. This can reinforce clear boundaries between special grantmaking and other program funds. Clearly focused strategic programs are likely to help matters; when strategies are unfocused, the purpose of a special grants fund may also become muddled.

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<sup>2</sup> In "[Breaking Up Is Hard to Do](#)," an article in *The Foundation Review*, Barbara Kibbe offers research and perspectives across philanthropy on how funders can responsibly exit lines of work and relationships with grantees.

## ***Allow for exploratory grantmaking***

Special grants offer an avenue for funders to get acquainted with a new grantee or content area, enabling learning and experimentation that may at some point lead to a responsible shift in strategy. Being cognizant of changes in context, alert for windows of opportunity, and in touch with organizations poised to make a greater difference are all hallmarks of effective philanthropy.<sup>3</sup>

Exploratory special grants can focus on a primary issue area. For instance, the [Robert Wood Johnson Foundation's Pioneering Ideas](#) fund helps the foundation “wade into uncharted territory in order to better understand what new trends, opportunities, and breakthrough ideas can enable everyone in America to live the healthiest life possible.” Similarly, the [Hewlett Foundation's Special Projects fund](#) supports “strategies to better respond to opportunities that advance our philanthropic values, incubate new ideas, and strengthen our field.”

Foundations also deploy special grants to respond nimbly to crises. Numerous foundations did exactly this in the first half of 2020 in reaction to the COVID-19 pandemic, ramping up giving to current and new grantees to address immediate needs. In a financial crunch, special grant funds can also be scaled back to preserve or augment funds for strategic program budgets.

## ***Catalyze and deepen partnerships***

Sometimes special grant funds enable foundations to support one another without stretching priority strategies too far. Nonprofits and funders trying to build support for an initiative are familiar with the refrain, “This isn’t a fit for our foundation.” But a foundation can use special grants to broaden its definition of fit and partner in ways they might not pursue through an established program area. At times, these partnerships are bilateral. In other cases, multiple funders come to the table willing to trade grantmaking control for collaboration and greater impact.

The Minnesota-based Bush Foundation reserves its [President's Initiative and Partnership Fund](#) mainly for partnerships with other funders in the upper Midwest. Like many special grant programs, the fund only considers projects that cannot fit into the Foundation's open, competitive grant programs.

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<sup>3</sup> As Barbara Kibbe argues in her essay, *Strategy and Evaluation: The Twin Engines of Effective Philanthropy*, today's volatile world requires strategy that's flexible; if a foundation is hamstrung by its approach, it can't react to changes in the surrounding environment or apply new lessons.



The S. D. Bechtel, Jr. Foundation has made special grants to achieve several of the objectives highlighted in this essay.

***Pursuing emergent opportunities that led to strategic programs.*** Foundation investments in the California Conservation Fund were made based on Stephen D. Bechtel, Jr.'s interest in wetlands and waterfowl rather than through a dedicated program. However, those grants ultimately inspired and informed major investments in [water management and land conservation](#) through the Foundation's Environment Program.

***Expanding the breadth of existing programs.*** Conversely, strategic programs also inspired special grantmaking. The Foundation's commitment to advance [STEM teaching and learning](#) sparked special grants for informal science education at museums, science centers, and zoos.

***Enhancing strategic programs through capital projects.*** The Foundation made capital grants totaling nearly \$300 million over its life (the S. D. Bechtel, Jr. Foundation board of directors adopted the spend-down model in 2009; the Foundation will cease operations at the end of 2020). Many of the Foundation's capital grants created or improved the physical infrastructure needed to advance its strategic program goals in STEM education and afterschool science programming.

***Supporting local institutions.*** Even after the Foundation chose to spend down and focus most of its grantmaking on statewide initiatives in California, it continued supporting San Francisco Bay Area museums, hospitals, schools, and universities with capital and programmatic grants. This was consistent with the Foundation's longstanding commitment to its home region.

***Partnering with other funders.*** In its final years of grantmaking, the Foundation participated in multi-funder efforts to support special grantmaking goals around strengthening democracy and quality journalism. Examples include:

- The 2020 Census Project, a pooled fund supporting a coalition of nonprofits working toward a fair and accurate 2020 Census
- [NewsMatch](#), a matching campaign to bolster nonprofit newsrooms' individual fundraising efforts
- [Mediawell](#), the Social Science Research Council's project on tracking developments in research about misinformation

# Making and monitoring special grants

## Internal responsibility

The authors are not aware of any acknowledged best practice for staffing or managing special grants. These expenditures can be the purview of chief executives, grants management staff, or program officers assigned to specific grants. When special grants are centralized on one team, especially within a single person's workplan, they can benefit from efficiency, consistency, and the opportunity to apply learning from one grant to the next. When special grants are spread across staff and program areas – a practice larger foundations may be inclined to employ – they can offer people in different departments variety in their work while tapping expertise throughout the organization. Some foundations opt for a hybrid approach in which a defined group has oversight for the special grants program and coordinates input from across the foundation, with the chief executive involved in final approvals.

Decisions about who manages special grants often reflect the goals of the special grantmaking program as well as the foundation's overall size and staffing structure. Responsibility for special grants can evolve along with shifts in focus for the program as well as changes in the nature of the foundation. While there is no one-size-fits-all practice, two guiding principles may steer foundations in a useful direction:

- 1 In order for special grants to be flexible and responsive, it is helpful if proposal development and approval processes are sufficiently streamlined to move dollars quickly when necessary. A four-month wait for a board meeting may work in the case of a capital grant or a years-long research project, but that practice makes less sense for a grant made in response to an immediate need.
- 2 It is important for staff to have a clear understanding of *who* manages special grants, *how* those grants are managed, and *why* special grants exist to begin with. Confusion within a foundation can spill across departments, and to grantees, in unproductive ways. For example, internal tensions can arise if staff in core programs view a special grants fund as the sandbox where the fun happens or as the home for less important, non-strategic grantmaking.

### SPECIAL GRANT MANAGEMENT: A STORY OF EVOLUTION

At the **S. D. Bechtel, Jr. Foundation**, special grants were handled on an informal basis for many years, with the Foundation's founder coordinating closely with its president to identify and implement grants. As the Foundation grew, special grantmaking responsibility was assigned to a dedicated program officer. When the decision was made to spend down, special grantmaking was allocated an annual budget so that its expenditures would not distract or detract from active programs. This approach enabled staff responsible for active programs to focus their grantmaking with greater certainty of the resources they would have to deploy.

A few years prior to sunset, as the number of special grants reduced, staff responsibility was absorbed into the Foundation's Effectiveness team, which is charged with a variety of functions that serve the Foundation and seek to strengthen the field of philanthropy.

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**CHALLENGE:****When generalist grantmakers lack field-level expertise and partnerships**

Staff responsible for special grantmaking often play the role of generalists who apply best practices in philanthropy as opposed to specialist program officers who are experts in their fields. Many nonprofits value the context-based experience, feedback, connections, and deep partnership that specialist grantmakers often provide.

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**MITIGATION:**

In addition to offering flexible grant terms and reporting requirements, generalists responsible for special grants should be candid at the outset about what they can and cannot provide to grantees. While they may lack issue-area expertise, they can bring a fresh eye and thoughtful questions to grantees who are charting a course in the work they know best. Generalists may also benefit from a breadth of knowledge across fields that specialist grantmakers lack. And, when a generalist grantmaker needs to seek out expertise, they can turn to colleagues within or outside their foundation for help.

However, the practice of assigning special grants to generalists (or to staff whose specialized expertise isn't relevant to the grant at hand) can be problematic if the grant is complex or particularly technical. If a grant cannot be adequately understood, supported, or monitored within a special grants fund, it might not make sense to manage it through this fund.

## Selection

Even though special grants are typically distinct from program grants that fit a theory of change or logic model, they can still benefit from selection criteria. For example, funders might designate geographic boundaries, a focus on a group of issue areas, or a particular appetite for risk (e.g., supporting established organizations vs. startups) to guide special grantmaking. Without criteria, special grants can become purely discretionary and will carry little opportunity for learning that can be applied to future decision-making.

The degree of visibility afforded to the special grant process is also an important choice point for funders. Absent a transparent selection process, special grant opportunities come to the attention of foundations through sometimes insular networks of colleagues and confidants.

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### CHALLENGE:

#### When special grants are invisible to grantseekers

In the authors' experience, special grants are often not advertised, heightening the advantages of insiders. [Lopez and David](#) concur, observing that occasionally, "Grantseekers who enjoy a personal connection to the CEO quickly learn that they can sidestep the foundation's announced priorities and procedures and directly approach the CEO for support." This can minimize the role that program staff play and can also reinforce inequity in grantmaking by rewarding mainly those with existing access to levers of power within a foundation.

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### MITIGATION:

While foundations may understandably wish to keep some details about a special grants program close to the vest – particularly when their policy is to not accept unsolicited proposals – a little transparency can go a long way toward building credibility for special grant decision-making, both inside and outside the foundation. Some foundations post brief descriptions on their websites about what special grants support and/or include special grants in publicly accessible giving databases. Beyond making special grants transparent, it is perhaps even more important for funders to proactively expand their pool of prospective grantees, moving outside the comfort zone of usual partners. They can do so by making the effort to connect with leaders and organizations not yet in their orbit – particularly those that may not yet be well known to foundations but are doing crucial work in marginalized and under-resourced communities.<sup>4</sup>

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<sup>4</sup> In recent years, numerous philanthropy leaders and groups have made the case for bringing greater transparency, trust, and a focus on racial and economic equity to grantmaking practice. Examples include the [Trust-Based Philanthropy Project](#) and the National Center for Responsive Philanthropy's [Power Moves](#) initiative.

## Due diligence and monitoring

Sometimes special grants are made as “no-process” or “exempt” grants that circumvent normal protocols. Awards can be made quickly to minimize effort for a foundation and grantee when a grant is relatively small and/or its purpose is straightforward. Good candidates for no-process grants include conference sponsorships, memberships, and modest general operating grants to organizations the funder knows well.

In other cases – especially when the grantee or content area is unfamiliar to the foundation, the project is risky, or the grant is a relatively large dollar amount – careful due diligence is warranted. While the review may be more limited than for grants made within strategic programs, funders should still assess the grantee organization’s resilience and financial stability and, if appropriate, the feasibility of the program or project funded. If a foundation places a premium on evaluation, then it should also consider how to best support special grantees’ evaluation plans and the capacity needed to carry them out.

Due diligence might lead a funder to rethink the size or scope of a proposed grant, particularly in the context of capital grantmaking. At their best, new or enhanced facilities can enable nonprofits to expand programming, forge partnerships, increase revenue, and strengthen work culture. However, capital grants are often more complex than they initially appear; they commonly encounter delays and cost overruns, and problems can worsen when a grantee does not have the right experience or access to experts who can help.<sup>5</sup>

At times, another funder may have already done the work of due diligence for special grant donors who are reluctant to play the role of lead funder. Engaging existing funding partners is one way to learn about an unfamiliar organization or field before taking up a grantee’s time and sparking hope for a grant that may not come to fruition.

Foundations can also lean on colleague funders to conduct needed due diligence; joining a funder collaborative in which others are taking the lead is a great way to gain assurance that a project has been vetted and will be closely followed. In such cases, the reporting burden placed on grantees can also be reduced by enabling them to use a single grant proposal and report to satisfy the respective needs of a group of funders.

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### CHALLENGE:

#### When grants fall short

Some special grants will fall short of their goals. This could involve a grant to a campaign that fails to meet its fundraising target, a project that does not complete its core deliverables, or an organization that experiences disruption due to an internal conflict or external threat.

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### MITIGATION:

Similar to best practice in strategic grantmaking, grantmakers and grantees may benefit from a reset to help a grantee find new urgency, clarify goals, and course correct. Actions could include:

- A no-cost extension
- A discussion about how to right-size the goals of the project
- The offer of capacity building or technical assistance
- Renegotiation of terms in the grant agreement

Renegotiation might include a new set of milestones and deadlines, after which – as a last resort – the funder may elect to cancel a grant and ask that unallocated funds be repurposed or returned.

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<sup>5</sup> Matthew La Rocque has also [written](#) about the S. D. Bechtel, Jr. Foundation’s experience with capital grantmaking, and provides access to tools for funders and nonprofits involved with capital projects.

## CASE STUDY: A SPECIAL GRANT FALLS SHORT



In the middle of its spend down, the S. D. Bechtel, Jr. Foundation made a two-year, eight-figure lead gift to support construction of a new museum that would fill an important gap in honoring veterans of the U.S. military – a mission of keen interest to Stephen D. Bechtel, Jr.

Given the significant fundraising required for a project budget exceeding \$100 million, and the risks associated with making an early gift, the Foundation awarded a more modest grant than originally proposed. It also structured the award as a matching grant to help the grantee attract additional donors. In the first year of the grant, the Foundation paid out about half of the funds promised as the grantee raised matching revenues. However, within 18 months, major complications emerged:

- The grantee encountered fundraising challenges, including an unsuccessful investment in direct mail solicitation prior to securing additional lead funders.
- Combative relationships had formed between the grantee, the host town, and other key stakeholders; these dynamics would need to be resolved before construction could begin.
- It became clear that projected museum revenues were overly optimistic and that actual revenues would likely not support the museum's projected operating budget.
- The museum's board was increasingly divided over the project's future.

Although the Foundation's knowledge of capital grantmaking was still developing, it might have foreseen many of these obstacles through deeper due diligence. In turn, Foundation staff might have attached more conditions to early grant payments or opted against making the grant in the first place.

Nonetheless, once the grant was made and issues surfaced, Foundation staff employed multiple strategies to increase the project's odds for success.

- An in-person meeting with the grantee emphasized the Foundation's support for the organization's mission above all else and encouraged the grantee to re-think the scope of the museum project.
- The Foundation's attorney was consulted, and drafted an amended grant agreement providing a grant-term extension for additional fundraising along with new expectations for the milestones required to claim additional matching funds from the Foundation.
- Funds were provided to retain a consultant with expertise regarding museum campaigns, exhibits, and operations who could help the grantee develop new and improved project plans.

Despite these efforts and the honorable intentions of many stakeholders attached to the project, the grantee struggled to attract additional funding, the project budget grew increasingly unrealistic, stakeholder relationships continued to fray, and half of the grantee's board members ultimately resigned in protest over key strategic decisions.

More than a year after meeting with the grantee in search of course corrections, the Foundation made the difficult decision to cancel the grant and withhold millions of dollars in remaining matching funds. The experience taught the Foundation a great deal about its options when a grant falls short of its goals and informed subsequent due diligence on major capital projects. The Foundation also created a [toolkit of resources](#) to help funders partner with their grantees in ways that improve the likelihood that capital projects are successful.

# Conclusion

Little has been written about special grants, and while the authors hope this essay offers a useful contribution to the topic, it does not offer a comprehensive survey of these sorts of funds at U.S. foundations. Indeed, there is likely more that foundations and nonprofits would benefit from learning about this practice, which could be ripe for further research.

Just as they are worth studying, special grants are also worth celebrating. Laurie Dachs, president of the S. D. Bechtel, Jr. Foundation, has said that philanthropy is a combination of “the head, the heart, and intuition built over time.” This candid perspective is especially apt for special grantmaking. At its best, special grantmaking is more than ad-hoc giving: It is nimble enough to complement the long-term lens that characterizes strategic grantmaking, and thoughtful enough to give chief executives and board members peace of mind that dollars are being well deployed in partnership with grantees. Where there is ambiguity with these grants, there is also creativity, learning, and joy.

## FROM THE S. D. BECHTEL, JR. FOUNDATION: RESOURCES REFERENCED IN THIS ESSAY

“*Breaking Up Is Hard to Do*,” *Foundation Review* (2017). Barbara Kibbe draws on interviews with 19 practitioners across philanthropy to address how funders can responsibly exit lines of work and relationships with grantees.

*Strategy and Evaluation: The Twin Engines of Effective Philanthropy* (2020). Barbara Kibbe describes how the language, tools, processes, and practices of philanthropy have evolved steadily and dramatically across four decades – and why strategy and evaluation have emerged as vital.

*Building Impact: Tools for Making Effective Capital Grants* (2018). Matthew La Rocque provides perspective and insights based on the Foundation’s significant portfolio of capital grants, and introduces tools that can serve funders and nonprofits considering or implementing capital projects.



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