



Stop the Madness:

Straight Talk about Percentage Deals and Contingency Pay for Grant Writers

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I think it is a fair estimate that at least 70% of the online ads I see for grant writers (especially on Craigslist and a few contractor/freelancer bid sites) suggest that these professionals do not get paid unless the grant is awarded. The origins of this myth are difficult to pinpoint, though it certainly is one more example of how everyone would like to believe that we can get something for nothing.

I often hear non-profits claim that this is an “opportunity” for the grant writer and that compensation will be at very high levels. The only catch is that the grant writer is to be awarded only if they can produce positive outcomes. Unfortunately, these agencies are placing the responsibility for success squarely upon the grant writer without taking any risk themselves. In fact, the only grant writers who will respond to these well-meaning but misinformed people are folks who cannot obtain paid work or those who are retired and are, indeed, looking for volunteer positions. So, an intern who hopes to LEARN how to be a grant writer will perhaps consider this an *opportunity*. Retirees, not a completely impossible match, will probably pick their favorite charitable organization rather than a new, untested non-profit of which they knew nothing prior to reading the advertisement.

Skilled grant writers generally scoff at advertisements that specify no pay or those that claim reimbursement for time and expertise will be provided only if the grant is successful. I am one of these people. Perhaps “scoff” is the wrong word in terms of how I react, personally, though I do shake my head at the fact that these groups are likely doomed from the start. It is about the mentality behind these assumptions that shows me exactly where a non-profit “IS” in the scheme of things.

As a few examples, there are typical statements or paraphrased concepts that I read almost every week:

1. We are a non-profit; therefore, we have no money to pay anyone for their services. We are poor.

- a. This statement, in itself, tells me you will remain “poor.” Being a non-profit does not mean you have **no** money. It only means that you fulfill a charitable purpose and are tax exempt—which means you do not pay taxes and you can accept tax deductible donations from the public. It also means that no individual profits from any proceeds the agency may generate outside of reasonable, employee-based salary.

Operating out of a mentality of poverty is, in part, what leads to stagnation and ongoing fiscal challenges for an organization. If you cannot afford to pay staff salaries and fees for necessary professional services (attorney, accountant, and grant writers), you are probably not positioned for great success with grant funding or financial support at any significant level.

One of the biggest factors in funding success is the amount of money you have been able to secure so far. If you have nothing in the bank and are struggling to start services or maintain them, you already have substantial odds against you when applying for grants. No matter how great your grant writer is, they are not miracle workers and cannot “sell” you if you, from the start, are not going to be considered fund-worthy by grantmakers.

The exception to this is someone like me who can help you resolve any problems within your organization/program. This, of course, involves far more than grant writing alone and with that comes elevated costs.

2. We have been “taken” before. As a result, we trust no one and will not provide upfront payment of any kind.

- a. Being taken for a ride by unsavory persons claiming to be grant writers (or grants firms) is, sadly, not uncommon. Yet, functioning from a place of mistrust is a really terrible set-up for both you and any consultant with whom you may work. Please keep in mind that:

- i. Not every grant writer is a crook.

- ii. A retainer is the norm in this industry and I do not know any qualified consultant that will work in absence of upfront payment. (They too, including me, have also been swindled.)

- iii. The fact that you were led astray by a previous consultant is, plainly stated, your responsibility. In my experience, that has usually been a result of people trying to get “deals” that are too good to be true. Like anything, **buyer beware.**

1. A few notes on this:

- a. Absolutely do reference checks.
- b. Check the Better Business Bureau. Not being a member doesn't mean much since it only suggests they met the minimum requirements of being a reputable company and they pay a membership fee. Either way, if a complaint has been filed against a company, the report is mentioned by the BBB even if the company is not a member.
- c. If you look for a record of a consultant's business filings as proof that they are legit, you are forgetting that many contractors operate under a DBA (“doing business as”). This is the case with my own consulting firm, in fact. Meanwhile, just having an established LLC or other structure on record does not mean you don't need to perform due diligence in selecting your consultant.
- d. Never do business without a written contract. Also make sure you have a cancellation clause in your legal document.
- e. Never hand over the entire grants process to a hired gun, thinking they can run with this without you. They should NOT be sending out applications from their office. Everything should come from and go to your headquarters and you should be very “hands on.” No applications should be sent without your review and sign-off as a final draft.

If a consultant claims to have sent out applications but you have no record of them, or any responses from grantmakers, there is something fishy going on. (Note: Not all grantmakers will contact you if they decline your request. But, if you are not hearing anything from any funding targets, something is wrong.)

Unless it is a digital submission, all proposals require your signature on either application form pages or a cover letter. This fact alone makes me suspicious when I hear that an organization supposedly sent out proposals for which they have no physical record.

3. We will provide a percentage of the grant as payment. We will only pay on commission.
 - a. I have seen numbers from all over the map of what people think is reasonable, ethical, and some sort of norm. Specifically, I have seen 3, 5, 10, 15, 20, 25, and 30 percent. Where do these numbers come from? Answer: Thin air.
 - b. If grant writers only worked on commission, they would not serve agencies that are just starting out and who do not already run an empire that will command high-level payments. In other words, I would stick with organizations I have served that have secured millions of dollars off of one or a handful of grants. That means, too, that smaller and newer organizations would have a hard time getting anyone to work with them since their chances of getting funding are more restricted.
 - c. Grantmakers will not fund you if you show a percentage payment to a grant writer. They want to see that your money is going toward direct services for the people your organization supports. (If your admin costs are more than 25% of your annual budget, you will not appeal to most funders.)

Taking this a step further, you have to ask yourself why a grant writer would be entitled to any more money than it costs to prepare your proposal—ever. They should be invested in your success with each and every application, giving you their absolute best product each time. That is, as long as you are willing to pay for perfection versus “good enough.” *Good enough...rarely is.*

Demonstrating this further, let’s look at a few concrete examples of how absurd this issue of contingency and percentage pay is. Let’s assume in three real life scenarios, based on my customers over the years, that each of the applications took the same amount of time to prepare—while the payoffs for the organizations were widely different.

Using the percentages I frequently see posted online, take a look at how outrageous the pay would have been for the higher-end applications, while I would really take a bath on the lower-end ones.

One foundation application I prepared resulted in an 11 million dollar award. I spent a fairly even amount of time on other proposals that produced funding at \$5,000, \$15,000, \$40,000, and 1 Million. Also consider that there was program development involved in each.

For argument's sake, we will assume that each organization ended up paying around 5k. (Yet those proposal documents were also used for other applications. We will deal with that issue later.)

So....

PAID ON A PERCENTAGE SCALE....I WOULD GET						
Amount of Award	3%	5%	10%	15%	20%	30%
11 Million	330,000	550,000	1,100,000	1,650,000	2,200,000	3,300,000
1 Million	30,000	50,000	100,000	150,000	200,000	300,000
\$40,000	1,200	2,000	4,000	6,000	8,000	12,000
\$15,000	450	750	1,500	2,250	3,000	4,500
\$5,000	150	250	500	750	1,000	1,500

Work is work. If it takes me the same amount of time to prepare documents, regardless of the amount of money targeted, I should be paid for my time and expertise. No more, no less. Additionally, any proposal that would be paying a grant writer a percentage on those high-end grants would be laughed at by the evaluators. And, by me.

Conversely, you may be wondering about the low-level awards, thinking that this amount is hardly worth the cost of preparing the application. On some levels, I agree, and I generally leave anything off our funders list that is in pursuit of anything less than 10k. However, some organizations will ask that we approach certain funders, both foundation and corporate, where this is the average giving amount. In this, I accommodate the wishes of my customer. And, for some agencies, a \$5,000 request is the cap of what we can ask for due to the organization's current fiscal and programmatic standing.

What can be deceiving in this, and what must be considered if you are paying based on "performance," is that your core materials—the documents created by your consultant—are being used for many applications. How then do you determine how to pay a percentage or contingency? The amount of the grant rarely has anything to do with the time it takes or doesn't take to prepare your submissions.

Let me be more precise with my point. Say I created materials that were used to pursue eight grant awards. Only two are funded. (At least, so far.)

The first rejected application took a full week and a half to prepare (equaling \$4,500) since the organization had no previous quality materials for this purpose. The second only took 2.5

hours to prepare because it was built upon the materials created for the first submission—and this one, for \$5,000 was approved. Does that mean that I should be content with only being paid for the second outcome even though all your proposals reflect work I provided to your organization over a period of months? Of course not. Everything I have prepared for that agency will continue to be used, even if I stop working with them. And, that should, indeed, be paid for...hour by hour. Once it is, those materials are the property of the agency to do with them as they choose. They owe me nothing further.

Using an exact example from a current client, the organization paid me \$17,000 since last November. As a rural agency, and one that is brand new to grants, we knew from the beginning that positive outcomes would be more limited. Add to that the fact that this group serves persons with severe mental illness, which is, tragically, a population that does not enjoy significant financial support in our country.

Despite all this, they have reached a level of support that is unprecedented for this agency—that is, until they started their work with me. Prior to this, they never received more than \$2,500 from any one funder. To date, we already received two positive responses... one for \$5,000 and the other for an unrestricted IMPACT award from GlaxoSmithKline in the amount of \$40,000. To them, the second award is the equivalent of another of my groups receiving 1 million dollars. (And, this success allows us to start asking for greater amounts of money from our next funding targets. Like anything, success builds upon success.)

Okay, but... if we were to calculate out their award amounts so far in terms of a percentage deal payout... Here is what it would look like:

- *Hours worked (8 grant applications, two donation plea letters, moderate program development): rounded up, 227 hours of work (roughly 5.7 weeks)*
- *Payout of \$45,000 (so far, from two approvals)... which is a success rate of 25%. Agencies are doing WELL if they can reach 25-30% approval rates.*
- *Based on a percentage breakdown as specified above, my earnings since November would be:*

Amount of Award	3%	5%	10%	15%	20%	30%
\$45,000	1,350	2,250	4,500	6,750	9,000	13,500

Even at 30%, I would be taking an economic loss of \$3,500. Say that was the average and I worked with 5 agencies at this level in a given year. That would translate into me losing at least \$17,500 of my annual revenues. No small potatoes to an independent contractor.

It might sound like I am whining in relationship to my own experience and income. I actually am not. There are plenty of organizations who can actually afford my services. But, if I *were* to work on commission, I absolutely would not be able to help new organizations or those whose chances of success are not as promising. We all have bills to pay—and writing grants is a specialized, income-producing profession...not a hobby.

Would you expect a plumber, electrician, or any other trade or professional person to provide services to you without receiving immediate pay for their services? You think you will get an attorney or accountant to provide free services? Unless you have a personal relationship with them or they serve on your Board of Directors, good luck with that one.

So, what makes you think that grant writing is anything different? A grant writer—a *great* grant writer—can only *increase* your chances of success. Yet, working with the right professional has benefits that go far beyond one application. Moreover, establishing a grants program is a process... not just an isolated activity that begins or stops at one application. Expect to pay for this process...and, the quality products that take time to prepare.

I guess I could sum it up with a time-tested adage. **YOU GET WHAT YOU PAY FOR.** You don't want to pay for anything? Get back to me in a year and let me know what progress you have made. That is a bet I just might be willing to take!!

Meanwhile, there are a few more important points to be made with regard to these misconceptions about percentage or commissioned pay. Consider these issues:

- Q:** Grantmakers all have restrictions in what they will and will not fund. If they do not allow for any form of salary or professional fees whatsoever, (not to mention the fact that indirect costs are also rarely permitted), how do you intend to make good on your percentage or commission promise to your grant writer? Where will **THAT** money come from?

- Q:** Grantmakers will likely reject your application if they see unreasonable or unjustified costs in your budget. How can you or do you justify any of the percentages once you look at those figures in contrast to what the true costs for producing those documents may be? Bottom line: You can't.

Your proposal will be laughed at all the way to Bin 13. (Which is a trash can, in case you never heard the term.) You will also surely demonstrate that you are not a seasoned non-profit professional. That reputation will follow you and your organization even after that particular application submission.

Q: Grants are provided to help social services recipients. How can you even ethically justify paying so much to a grant writer when funding is so severely restricted to help those in need throughout the world? Again, *you can't*. And, this is why this scheme will never produce a penny of funding for your organization. It is ludicrous.

As such, you have wasted valuable time—both yours and any crazy grant writer that would hope for the best under these terms. Additionally ...your organization, as a result, is no further along during this process...which just perpetuates the lack of impact you will end up having. This, then, directly impacts on your future funding prospect success. The cycle continues.

You may think this approach to hiring a grant writer is a “win-win.” I am here to tell you that your thinking is misguided and won't likely result in anything positive for your organization. Your disappointments, however, are guaranteed to be plentiful.

As I close, I will state that those that don't want to believe me are certainly entitled to their opinion and to continue wearing their blinders of choice. After all, they DID see this on the internet and it appears, to them, to be the norm in compensation arrangements when working with a consultant.

Sadly, ... ***wishing doesn't make it so.***
You are probably better off playing the lottery.

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