Funding Streams for Place-based Partnerships, and Their Benefits and Challenges

Regardless of **backbone structure**,[1] all place-based partnerships[2] require funding to pay for dedicated staff, support measurement of community-wide outcomes, engage and convene community members and local organizations, and fulfill other core functions. In our engagement with over 85 place-based partnerships nationally, we observed that most have developed revenue models that include a mix of funding streams, oftentimes each with a different purpose, geographic focus, or time horizon. Many have cultivated one dominant revenue stream and the associated capacities required to secure and manage this type of funding, diversified the specific sources within this stream, and built out additional funding streams to fill in gaps. For example, many partnerships in the homeless response space are funded primarily by a mix of federal government sources (e.g., Continuum of Care funding, Department of Veterans Affairs funding, Community Development Block Grants, and/or Emergency Solutions Grants) and rely on smaller local and private funding streams to pay for partnership activities not supported by federal funding. Typically, key roles of the backbone are to manage this mix across the partnership and direct resources in a way that advances community-wide goals and vision while satisfying funding compliance requirements.

If you are part of a place-based partnership hoping to launch a new revenue stream or significantly expand an existing one, plan accordingly. It takes organizations several years, on average, to build out a revenue stream that not only pays for itself, but also generates enough of a return to make a positive contribution to mission-aligned work. Funding streams (and the specific sources within them) come with different characteristics, meaning that securing and managing the partnership often requires a diverse set of core capacities. Partners may find tools like this **Opportunity Matrix** helpful in assessing and comparing potential revenue streams.

For funders looking to help a place-based partnership grow or scale, make sure you are willing to invest in the revenue-generating work of the partnership so it can sustain itself after your funding ends. This includes paying for things like development or grant-writing staff for three or more years. NFF has observed that a number of place-based partnerships received significant philanthropic investment to scale programs and operations, but without simultaneous investment into revenue generation. As these philanthropic investments come to a close, organizations find themselves facing a financial cliff without the revenue sources they would need to continue their program expansion over the long-term.

1 **Backbone(s)** – structures comprised of a single or multiple organizations that fulfill several core functions and facilitate action and accountability across place-based partnerships.

2 **Place-based partnerships** – networks of people and organizations in the same geographic area who work together to change systems, improve community outcomes, and achieve shared goals.

Outlined in the chart below are five primary funding streams we observed most commonly comprising place-based partnership revenue models. While these came up most frequently in our research, this list is not exhaustive; some partnerships have also cultivated other streams, like individual donations or corporate sponsorships, to fill funding gaps or support continued adaptation.

Funding Stream	Description	Characteristics	Advice for Pursuing this Stream
Local government	Grants or contracts from city, county, or state departments or programs	• Generally available to place-based partnerships as contract for services (e.g., consulting with a school district to improve data collection) • Little or no coverage of indirect costs • Sometimes slow to pay • Sometimes include heavy reporting requirements	• Build adequate liquidity to manage receivables • Have robust accounting and time-tracking systems to meet invoicing and reporting requirements • Can require significant capacity to secure and manage (e.g., lobbying for funding, grant writing, budget analysis, contract management)
Federal government	Grants or contracts from federal departments or programs. Might be passed through local municipalities.	• For place-based partnerships, generally secured as pass-through to fund direct services, with limited funding available to collective impact functions • Typically available to nonprofits with large operating budgets • May take an act of Congress to change • Notoriously slow to pay • Doesn't pay **full cost of services** • Heavy reporting requirements • Can be a highly reliable source of funding	• Build adequate liquidity to manage receivables • Have robust accounting and time-tracking systems to meet invoicing and reporting requirements • Often requires significant capacity to secure and manage (e.g., lobbying for funding, grant writing, budget analysis, contract management)
Local philanthropy	Grants from a foundation focused on a limited geographic region	• Tend to be smaller grants • Levels of restriction vary greatly by foundation • Often renewed each year, but can be reliable over time • Availability may be limited in certain geographies without a robust philanthropic community	• Can require significant relationship building and ongoing management with many funders • Sometimes not available to fiscally sponsored projects
National philanthropy	Grants from a foundation funding nationally or internationally	• Tend to be larger grants • Frequently innovation- or growth-focused • Frequently used as pass-through funding for partners	• Sometimes not available to fiscally sponsored projects • Opportunity to think comprehensively about full cost of partnership

Funding Stream	Description	Characteristics	Advice for Pursuing this Stream
Earned revenue streams	Selling a product or service, generally with some connection to mission in the case of place-based partnerships	• Use of revenue is fully under the discretion of management • Often requires upfront investment of time and money; financially risky to launch • Can create challenging internal dynamics between staff directly tasked with earning revenue and staff who are not	• Important to track net income, not just gross income • Revenue-generating work must be fully staffed and resourced to be successful over time • Be clear and honest about connection to mission (or lack thereof)

ABOUT THE PROJECT

Nonprofit Finance Fund (NFF), with the support of **Ballmer Group** and in collaboration with **Community Solutions** and **StriveTogether**, embarked on a two-year project to understand how backbones of place-based partnerships operate and to gain insights into the factors that impact their sustainability and success in driving community-level outcomes. This project included analysis of data on over 80 place-based partnerships across the country, interviews with over 85 individuals from 30 of those partnerships, and in-depth consultation with 5 backbone organizations. This resource is part of a toolkit designed to support the work of practitioners within existing place-based partnerships, communities contemplating starting a place-based partnership, and funders that invest in these efforts. **Click here** for more information and to access the toolkit.