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Understanding Grant Programs

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Introduction

Seldom does one scan the morning paper without reading about some type of grant program. Such articles, especially if covering a successful or ongoing grant program, often focus on the monies available instead of the grantee (entity receiving the grant) selection process. Thus, entrepreneurs and business enterprise owners are often led to believe that receiving grant funding is an easy process in which one simply “signs up”. While a very few grant programs operate as such, most require an extensive application process and have a competitive applicant pool applying for grant funding. An understanding of grant programs and requirements can increase an entrepreneur’s potential for success.

Types of Funding Programs

The term “grant” is often broadly used to describe a number of programs, all of which provide some type of financial assistance. Below is a list of the three most common funding programs: grants, subsidies, and cost-share programs.

1. Grant

- a. *Definition: A grant is financial support for activity, research, and research-related actions in a particular subject area or field; often aimed at a goal of the granting agency.*
- b. *Example: A private company, such as a pharmaceutical company, needs to research a new experimental drug. The private company then contracts with a University to conduct research on the new drug. The University receives grant funding to carry out the intended research; the private company receives the results of the research.*

2. Subsidy

- a. *Definition: A subsidy is financial assistance provided to a person or group in support of an enterprise that is regarded as being in the public interest. Subsidies are often in the form of partial funding for an activity.*
- b. *Example: The Federal government attempts to keep food prices low for the consumer, thus providing an affordable food supply for the country. Thus, to encourage production of an abundant crop the U.S. Department of Agriculture partially subsidizes crop producers. The farmer receives funding to carry out a farming operation; the government creates an ample food supply, thus ensuring stable food prices for the consumer.*

3. Cost-Share Program

- a. Definition: *Cost-sharing is a type of program that shares the expenses of certain activities, usually aimed at encouraging persons or groups to pursue a specific goal.*
- b. Example: *The Tennessee Department of Agriculture (TDA) wants to broaden Tennessee Agriculture by encouraging producers to diversify their operations. TDA offers the Producer Diversification Cost Share Program, which provides cost-sharing with Tennessee farmers who diversify their operations. Participating farmers receive funding to carry out diversified farming activities; TDA fosters growth and diversification of Tennessee Agriculture.*

Types of Applications

There are two basic types of applications for grant, subsidy, or cost-sharing programs.

1. Enrollment

In enrollment programs, an applicant must simply 1) meet eligibility requirements of the program, and 2) sign-up to receive funding. However, most enrollment programs have limited funding and are on a first-come first-served basis. Thus, funding is only available to those who sign up while there are funds available. These programs are few and far between. The most common types are subsidy programs or other initiatives aimed at benefiting the general public.

2. Competitive

In competitive programs, an applicant must 1) meet eligibility requirements, and 2) provide a detailed explanation of why their project should receive funding over other applicants. This “explanation” is generally in the form of a project proposal which outlines the need, activities, timeline, and expected results of the proposed project. Many competitive application programs are numerically scored. That is, a scorer or team of evaluators utilize a standardized score sheet. The closer an applicant’s goals are to goals of the funding agency, the higher the application score becomes. The highest scored application(s) then receive funding.