

DIALOGUES ON CIVIC PHILANTHROPY
PERFECTING OUR GRANTS

Goals and Intentions:

What Should Today's Philanthropy Aim to Do?

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What Can and Should Philanthropy Do in the Future?

by Rick Cohen

Populated by philanthropic institutions of multiple shapes and purposes, institutional philanthropy almost defies singular characterization much less prescription. Even the focus of these comments, on the institutional forms of philanthropy, intentionally sidesteps the variety of mechanisms for individual giving.

For the sake of writing less than a tome, let's then imagine that the multihued, potpourri of philanthropic forms is somewhat simpler, a bit more uniform, to imagine what philanthropy should aim to do. Arguments over philanthropy impale themselves over who has more direct understanding of and linkage to Andrew Carnegie, Alexis de Tocqueville, and the U.S. Constitution, a grand rugby scrum of looking backward for sources of legitimacy to explain philanthropic policies and behavior today.

One reference point for looking backward takes us well forward. The Filer Commission (in the early 70s) called on philanthropy to be critically focused on the major social issues of the nation today and tomorrow. To focus philanthropy on urgent public needs becomes a test of the relevance of philanthropic expenditures, a test of whether and how well philanthropic institutions measure up against the nation's trust of tax exempt resources to private individuals to allocate in the interest of the Commons.

Is philanthropy earning its stripes? Do all that many program officers and foundation executives ask themselves whether their grantmaking and their overall programs and policies measure up to the trust and faith the public has invested in them through the tax exemption? Answering what philanthropy can and should do in the future begins with the proposition that foundations exist and function based on a license granted by the public. They are not wholly private instruments of individual eleemosynary inclinations.

Foundation executives and foundation trustees—from small family foundations to institutional behemoths—need all too frequently to be reminded, even, sadly, in philanthropic gatherings, that “it's not your money”. In that vein, the lesson of the Filer Commission would be to focus on the future, not wrestle over the past, and chart out a path for philanthropy that responds to the demands of our society today, not over visions of what might have existed at some apocryphal view of philanthropic correctness in the past. The future of philanthropy activity might take us in these directions, if foundations were truly addressing the Filer challenge:

Critical issues of the day: Former New York Foundation e.d.. Maddy Lee was asked to address the role of philanthropy in the future at a 1997 convocation of a nonprofit association. To her credit, she simply identified and counted the major issues affecting New York City and suggested that a strategic role for the nonprofit sector would entail priority attention to these concerns: national budget deficits, cutbacks in services to the poor, the inferior quality of education

delivered by New York City schools, inadequate voter turn-out, threats to nonprofit and public rights to free speech. Why do foundations admonish the nonprofit sector to wake up to the crucial issues affecting the nation when the same does not apply to foundations? It should. It should be the benchmark of what motivates philanthropy if the sector is going to warrant the public's trust and license.

Grassroots democracy: One of the pernicious misdirections some people imbibed from NCRP's 1997 research on conservative foundations was that the broad mass of philanthropy should stop frittering its money away on lots of small organizations and focus its capital on a handful of national think tanks to frame the issues and shape the messages for the nation's populace. This kind of top-down arrogance, of doing the thinking for communities, of knowing the solutions for constituents' problems more than the constituents themselves is exactly the wrong way to go. It may not be apparent to many in philanthropy, but at the grassroots level, the palpitations about fundamental survival are endemic. Some talk about a new "ice age" for grassroots nonprofits, caused partly by the propensity of foundations to funnel moneys in ever bigger chunks to big national groups rather than giving voice and power to the diversity of America's communities. Reviving philanthropy's attention to community-based nonprofits connected to if not controlled by indigenous community leaders would be a vote for philanthropy's role in sustaining American democracy, more so than every-four-year election cycle bubble strategies.

Reversing debilitating funding practices: Funding and strengthening grassroots organizations is not a romantic, "let a thousand flowers bloom" into irrelevance strategy. Providing the opportunity for those most affected by the challenges of our society to weigh in on the solutions, as opposed to watching from the sidelines, is crucial to our democratic process, unless the nation chooses to simply turn the responsibility over to philanthropic philosopher kings and queens. But philanthropy debilitates the organizations it serves when it fails to provide them with flexible capital, with core operating support necessary for their effective functioning and survival. After many years of completely paltry core support to the nonprofit sector, creating inherently weak organizations, foundations have begun to respond to the calls of people like Hewlett's Paul Brest and others to wake up foundations to their inability to use their capital to build healthy organizations. But the increase in core support grantmaking hides two huge flaws, that the core support is hardly reaching community-based, constituency-led organizations, flowing to foundation-like think tanks and universities instead, and that it is often tied with "strategic" restrictions that make the grantmaking nearly as inflexible as program-specific grants.

Democratizing philanthropy: It's not their money, but foundation trustees administer the funding like it is, for the most part ignoring societal pressures for breaking the near exclusivity of class and race control at the top echelons of foundations. The future of philanthropy ought to mean catching up with the rest of society with inroads toward opening philanthropy to voice, participation, and decision-making reflecting the interests of the nonprofits purportedly served by foundations. Strikingly, the foundations that have done the most, albeit still in baby steps, toward involving constituents in their grantmaking decisions have been, in terms of big dollars, the health conversion foundations. Why? These foundations are products of a public process, usually the intervention of constituencies whose stake in nonprofit health insurer and hospital assets would be entirely lost were it not for the intervention of community-based advocates and state attorney generals trying to save something from the conversion process. Community advisory boards and other mechanisms for substantive community input into foundation grantmaking priorities have had their positive effects on conversion foundations. Going forward, foundations can do much better than an occasional community advisory board process, certainly better than using grantee satisfaction surveys as substitutes for real input into grantmaking. Ultimately, the answer has to be in democratizing foundation governance, breaking the near monopoly of people of wealth and

privilege in controlling philanthropic resources, else institutional philanthropy becomes increasingly anachronistic.

Advocacy and organizing: Foundation grantmaking is a relatively small part of nonprofit finances compared to government funding and individual giving. Foundations typically cite their 10 percent or so slice of nonprofit revenues as a defense against too much scrutiny and criticism. But foundation resources are distinctively different, both as philanthropic rather than charitable dollars, and as funding potentially more flexible and more risk-oriented ventures than what a government agency will support or an individual donor will contemplate. The unparalleled opportunity for foundation grantmaking is to ratchet up support for community-based groups to organize and advocate for attention to and change in government and corporate policy and behavior. Without philanthropic support in an era of high priced lobbying for political effectiveness, community voices to speak up for their interests will be hard to discern. One need only look at the amounts spent by some philanthropic leaders for their own self-interest in recruiting top-flight lobbyists, devoting hundreds of thousands of dollars to lobby against changes in the composition of foundations' qualifying distributions, to realize that foundation money for organizing and advocacy is quite distinctive and irreplaceable. If philanthropy were to recommit itself to supporting the democratic instincts of community-based and constituency-responsive and -led organizations, arming them with the capital to bring community perspectives to the institutions and into the halls of power has to be part of the future course for the sector.

The business of philanthropy: Foundations have hardly begun to leverage the bulk of their resources to propel the nonprofit sector toward greater effectiveness. While the justifications of foundations for protecting their 5 percent spending floor that functions as a spending ceiling garner support throughout the foundation world and among cowering nonprofits, for many the 5 percent defense rings hollow. It sounds like philanthropy, or at least the foundation part of it, behaving like a self-indulgent, self-protective sector, fighting like any other sector to protect itself from demands that it do more and accomplish more and feather its own nest less. Nonprofits on the front-lines of addressing the nation's most urgent needs are struggling for survival, many teetering before their own financial apocalypses, but foundations are ensuring their own interests. A future philanthropy would be one that stops sitting on its assets, one that mobilizes its capital more effectively and aggressively on behalf of the nonprofit delivery system in this nation, one that even uses its tax exempt balance sheet wealth in addition to its grantmaking to address the urgent public needs of this nation.

These guideposts of what today's—or tomorrow's—philanthropy should aim to do appear unlikely to emerge from within the sector. Like any sector of our economy or society, change occurs when it is penetrated by constituents, consumers, citizens asking for something better than the deal they are being dealt. Philanthropy can aim to do much better on these items, but it won't unless the nonprofit sector—the delivery system without which the tax exempt value of philanthropy could not and would not be realized—realizes that it is their right and responsibility to demand a different kind of philanthropy from the nation's foundations.