

Buffett's Gift: Too Much for Gates to Handle?

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6/28/06

U.S. News & World Report

Warren Buffett plans to double the grant making of the Bill and Melinda Gates Foundation. It sounds good-more money for more good causes. But are there drawbacks to such an infusion of cash for just one (already large) organization?

"We're a little cautious about how big our nonprofits get," says Jeff Krehely, the deputy director of the National Committee for Responsive Philanthropy, an organization that often acts as a thorn in the side of traditional grant makers. "You end up having very few people having very large sway about how tax-exempt dollars are used."

In other words, a concentration of wealth for charitable causes may be as problematic as the inherited concentration of wealth that Buffett and the Gateses have disdained.

The anticipated Buffett grant is truly unprecedented, not only in its sheer size-more than \$30 billion-but also in the way it's being distributed. Rather than creating a new grant maker in his own name, Buffett is grafting the bulk of his wealth onto the Gateses' philanthropy, though with conditions: The Gateses must be alive and actively engaged in the foundation for the Buffett spigot to be kept on. With that contingency, he will release 5 percent of his shares in Berkshire Hathaway each year. Buffett's directive also calls for the Gates Foundation to spend all that he gives within the subsequent year.

So the Gateses must annually spend not only the legally required 5 percent of the foundation's original assets (about \$1.5 billion a year) but also about \$1.5 billion more, making for about \$3 billion of donations per year. Not necessarily an easy task.

"I think the Gates Foundation was struggling to reach the [required] payout rate," Krehely says. "It takes a lot of time and effort to give out that much. Maybe one outcome is that they're going to think of better, more-efficient ways of giving it away."

In addition to the concentration of grant making, there is a concentration of decision making. Unlike most major grant makers, the Gates Foundation has no board of trustees per se but has been run instead by the Gateses and Bill Gates's father. Other large foundations have boards of a dozen or more.

"I know the Gateses are always on the ground, and they have experts surrounding them," says Krehely. "But we feel it's best to have someone in the boardroom with you. You don't want to have 35 people there like a zoo, but there is something to having external input."

The foundation has taken some initial steps to meet the challenge of Buffett's donation.

For one, it is nearly doubling its staff, from 275 to 500, in the next couple of years. And Bill Gates himself [recently announced](#) that he will soon be shifting his focus to the foundation and away from Microsoft, the company he founded and that generated the personal wealth that he and his wife have directed toward philanthropy.

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