

Are Foundations Doing Enough for Society?

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Chronicle of Philanthropy

February 21, 2008

Now that California's Assembly has passed legislation designed to shed light on the diversity practices of the state's grant makers and the measure is pending in the State Senate, it is time to

ask Congress to take similar action and to look more closely at just what Americans are getting from the massive subsidies they provide to the nation's foundations.

To be sure, any attempt to do so will be met with strong resistance from America's grant makers.

Already, the measure passed by the California Assembly is attracting considerable opposition.

The California plan would require foundations with more than \$250-million in assets to track and

disclose data on the race, ethnicity, and gender of the people on their boards and staffs, as well

as the number of grants and dollars going to organizations run by women and minorities and to groups that serve such people.

Foundations oppose this bill primarily on the ground that they should be free to do whatever they

wish with their money. But the measure does not require them to give a certain amount to minorities; it simply asks them to report on whether minorities are benefiting from their grant making and playing a role in the decision-making process about where the money goes.

Grant makers have also argued that the ethnic makeup of a foundation or the organizations it supports is not a measure of whether it does a good job.

It is, however, a legitimate question to ask when considering whether a foundation is serving society. If data on diversity becomes more reliable and accessible, foundations and community leaders will have a starting point for discussions about whether their services are fully benefiting

all Americans, not just the elite. If grant makers continue to hide diversity data, foundations will never feel much pressure to alter their grant-making practices to better reflect the changing demographic realities of our nation.

Numerous research organizations have found that communities of color are "shortchanged" by foundations. [For example, the National Committee for Responsive Philanthropy wrote to Congress in the fall of 2007, saying, "Sadly, while there are notable exceptions, the numbers show that foundations generally fail to provide significant support for low-income communities, communities of color, and other marginalized groups."](#)

Such a serious lack of support for people who would most benefit from foundation support raises

questions about whether billions of dollars in subsidies received by grant makers have attracted sufficient scrutiny.

That is why the Greenlining Institute, an organization we are members of, has asked Rep. Charles Rangel, the New York Democrat who chairs the House Ways and Means Committee, to

request an investigation by the Government Accountability Office to uncover the amount of local,

state, and federal tax subsidies provided to the foundation world. The Greenlining Institute, the prime mover behind the effort in California and in Washington to press for greater disclosure of diversity and spending data, estimates the subsidy at \$40-billion to \$80-billion annually. In addition, foundations should be asked tough questions about their diversity efforts, asset management, and executive compensation.

Concern about the way foundations are spending their endowments parallels the issues raised by

the Senate Finance Committee, which has been holding hearings to question whether wealthy colleges and universities are hoarding their endowments.

The hearings have prompted several nonprofit groups to suggest that Congress consider requiring institutions to spend at least 80 percent or more of their endowment earnings each year,

an idea that should be applied to foundations as well.

For grant makers, that is likely to double or triple the amount of foundation grants awarded nationally from more than \$40-billion to more than \$80-billion a year. Estimated annual investment returns over the past few years were 12 percent to 16 percent, an amount that would

easily allow foundations to give well over the 5 percent of assets most foundations give each year, which is the minimum percentage they must distribute.

Properly allocated, this could be a far greater way to jump-start the economy than the economic-

stimulus bill just passed by Congress and is certainly more likely to help revitalize low-income neighborhoods throughout the nation. That is, of course, if foundations do not simply give more money to colleges and other wealthy institutions that are already getting such a large share of philanthropy's resources.

Four decades ago, foundations were the leaders in advancing the causes of minorities, often in

opposition to regressive corporate practices. Today, only a few foundations continue to be leaders.

Sadly, corporate practices on philanthropy are far more progressive and inclusive than those of most foundations. Compare, for example, the direction of Bank of America's \$200-million a year in philanthropy to that of the William and Flora Hewlett Foundation, the leading California opponent of the diversity-disclosure measure.

More than 80 percent of Bank of America's philanthropic dollars go to neighborhoods predominantly filled with minorities and other people who are typically left behind by government and business. In the 1990s, the company used its charitable giving to revitalize the inner city of Charlotte, N.C.

Hewlett made a \$400-million dollar grant to Stanford University in 2001, a sum estimated to be greater than its total grants to all Hispanic-, African-American-, and Asian-serving nonprofit groups in California over the last decade.

It is time for foundations to regain their leading role in serving the nation's most vulnerable Americans. Let's start by shedding more light on exactly how they spend their money. George Dean is chief executive of the Greater Phoenix Urban League, and Nativo Lopez is national director of Hermandad Mexicana Latinoamericana and national president of the Mexican American Political Association.

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