

Foundations: Don't Pat Yourself on the Back Just Yet

By Aaron Dorfman

Huffington Post

July 9, 2010

There's a new report touting how the foundation world came charging to the rescue of nonprofits during the recent historic recession. I hate to rain on anyone's parade, but nonprofit groups serving vulnerable communities don't exactly feel that foundations should pat themselves on the back quite yet.

The report has some dubious parentage. It was written by Douglas Holtz-Eakin, whose previous work includes serving as the director of domestic and economic policy for the John McCain presidential campaign. He's probably the guy who advised McCain to state publicly on Black Monday in 2008 that the fundamentals of our economy are still strong. Additionally, the report was published by The Philanthropic Collaborative, a group that works to make sure the philanthropic sector gets good PR on Capitol Hill.

The truth is there's no real way to make any broad, sweeping conclusions yet about how foundations responded to the crisis. Although this limitation was acknowledged in the report, the press release claimed that foundations rose to the occasion like a phoenix from the ashes and made a huge difference in helping our most needy community members during this critical time. In fact, the data for the report are from a non-representative sample of less than 1 percent of total foundation giving during the past two years. Nobody has enough data to make a quantitatively analytic case about the foundation response to the economic crisis.

Sure, there were some foundations that responded in a way that I think was appropriate, responsive and really exemplary. These institutions confronted head on the impact of the recession on hard-hit communities, kept money flowing to their grantees, and focused intentionally on prioritizing the needs of the most disadvantaged among us in their giving. The report includes examples of the many things these foundations did well during the crisis, but it paints an overly rosy picture of how the entire sector responded.

The study was intended to deflect the concerns of critics and policymakers who often feel that foundations could and should be doing so much more with the partially public dollars that have been entrusted to them. After all, if it weren't for the generous tax subsidies afforded most foundations, we'd have a tremendous amount of revenue for the public sector to do more to

help the country and our most needy citizens weather the storm.

But if you listen to the leaders of our nation's nonprofit organizations, instead of relying on heavily manipulated and incomplete data, you get an entirely different picture of how foundations responded. The Center for Effective Philanthropy (CEP) found through surveys of more than 6,000 nonprofits that foundations in fact weren't very helpful at all. Their recent report states:

"What we found is sobering:

- Nonprofits do not perceive funders to have communicated their responses to the economic downturn clearly, if at all
- Nonprofits report that funders have offered them little useful help in responding to the challenges of the downturn"

CEP is not known as a vociferous critic of foundations so the findings are even that much more damning.

It's clear to me when weighing all the available evidence that foundations and other institutional grantmakers could have done significantly more during this recession to help nonprofits that serve and represent America's communities. Here are five things foundations should have done during the past two years to best serve the common good:

Prioritize vulnerable communities. Far too many grantmakers think that "a rising tide lifts all boats" and presume that grants designed to help a broad cross-section of the population will also help the most marginalized. A universal program will probably end up helping out a few of our brothers or sisters who have been hit really hard by the recession. But to actually help the most vulnerable en masse, a more targeted and nuanced approach is needed. When any institution - public, private or philanthropic - intentionally designs programs for the explicit intended benefit of marginalized communities, it helps increase the impact of that institution's investment. And because philanthropic dollars are so limited compared to private and public sector monies, getting the highest "return on investment," or impact, is critically important. The W.K. Kellogg Foundation is a great example of a foundation that does this well consistently.

Invest more in advocacy and public policy engagement. It might seem obvious, but giving agency to all citizens, especially those who are "other-ed" from the mainstream, is critical to maintaining a healthy democracy. Ordinary people coming together and identifying common values and shared problems is fundamental to a truly deliberative democracy. And still, from Idaho to Pennsylvania, we hear story upon story of organizing and advocacy groups working on a range of issues that are cutting staff at precisely the time when their efforts are needed most. There are important policy issues being negotiated at the state and federal levels without

adequately funded advocates for ordinary Americans at the table, and that doesn't serve our long-term interests as a nation, nor does it make for a healthy democracy. While some foundations - like The Atlantic Philanthropies, the Ford Foundation and The California Endowment - saw an opportunity to make a real difference at this time of crisis, many others missed a chance to have lasting impact.

Provide core support and eliminate restrictions on project grants. Cash-strapped grantees need flexible funds to respond to changing needs during an economic crisis. Unrestricted core support without cumbersome reporting requirements allows grassroots nonprofits to respond to windows of unanticipated opportunity and serve our neediest community members.

Unsurprisingly, the overall sector response in this regard was pretty lackluster. Core support continues to trend downward, hovering below 20 percent of all grant dollars. A commendable exception to this overall trend was the Texas-based Meadows Foundation, which shifted priorities to provide emergency operating support for its grantees.

Keep the money flowing. More than 60 percent of our nation's foundations cut back on their giving during the economic crisis, abandoning their supposed partners when their help was most needed. An exemplary response - and a notable exception - can be seen in the work of the Walter and Evelyn Hass, Jr. Fund, based in San Francisco, which has always been a leader in this respect. They made a commitment to continue paying out at between 8 and 9 percent of their assets because they knew how important it was to keep funding their core grantees. To best serve the common good, most foundations should have maintained or increased the real dollars they were paying out in grants.

Include grantees in the decision-making process. Many funders, shocked by the sudden drop in assets, retreated into their own world and made decisions in isolation. Only a precious few listened to their grantees, instead continuing to make decisions in isolation and uninformed by their grantees' perspectives about what is really happening on the ground. One notable exception is the Ohio-based Needmor Fund, which asked their grantees what they thought the foundation should do, and published the findings on their website.

I understand the desire of foundations to feel good about their efforts. And I understand the desire of trade associations and champions of philanthropic freedom to give accolades to how well foundations are rising to the challenge. But premature or overstated self-congratulation isn't the answer.

Now is the time for all of us to challenge our nation's grantmakers to operate in ways that strengthen communities and our democracy. Foundations can play an important role in building a fair and just society; indeed, many have done so over the years. But they're more likely to do so when they know the public expects great things from them. Working together, with courage and hope, we can emerge from this crisis stronger than we were before.

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