“What is ‘Responsive Philanthropy’ anyway?”

This is one of the questions I have been asked repeatedly since joining the National Committee for Responsive Philanthropy in February 2007. If we’re “for” responsive philanthropy, what does that really mean? During the past several months, the board and staff of NCRP have been seeking to answer that question in the context of developing a five-year strategic plan to guide the organization. Dave Beckwith, executive director of the Needmor Fund, and Christine Ahn, fellow at the Korea Policy Institute, co-chaired the board’s strategic planning committee, and the entire board participated in the process in meaningful ways.

At NCRP, we understand responsive philanthropy to have three core elements, each representing an essential component of what it means to be truly responsive.

One of those elements is that philanthropy serves the public good, not private interests, and operates with the highest standards of integrity and openness. When the wealthy abuse philanthropy to advance their own interests, or when political leaders misuse philanthropy to circumvent the law, they betray the public trust. Thus, responsive philanthropy requires that people and institutions must not exploit philanthropy for personal or political gain, and they must follow the legal and ethical tenets required by law and practice.

Responsive philanthropy also employs grantmaking practices that most effectively help nonprofits achieve their missions. No matter what causes a philanthropic institution supports, employing good grantmaking practices—such as providing multi-year general operating grants and avoiding overly burdensome reporting requirements—demonstrates responsiveness to nonprofit grantees, the communities they serve and/or the causes they champion. Employing grantmaking practices that help nonprofits achieve their missions also demonstrates accountability to the general public by ensuring that philanthropic dollars have the greatest possible impact.

(continued on page 14)
“We’re not content with tweaking Armageddon,” Ruthie Gilmore told more than 800 social justice activists convened at the 2004 conference, *The Revolution Will Not Be Funded: Beyond the Nonprofit Industrial Complex*. “Social movement has to be about acquiring power,” said Gilmore, but instead social justice organizations have lost sight and “focused far too long on longevity and not on liberation.”

This packed conference and subsequent gatherings speak of the growing angst among social justice organizations on how reliance on foundation funding has produced a nonprofit sector more focused on fundraising and self-perpetuation than on building mass movement organizations and political power.

This conversation continued during the 2006 Raising Change Conference organized by Kim Klein and the Grassroots Fundraising Journal, in a debate on whether nonprofit organizations working for social change must receive a majority of their funding from a broad base of individual donors or if they should also seek foundation funding.

The question emerged again this June at the U.S. Social Forum in Atlanta, where several hundred crammed into the session about the new book, *The Revolution Will Not Be Funded*, which was released by South End Press based on the 2004 conference. "There was a lot of deeply felt anger in the room—righteous anger that needs to be heard and respected," said Marjorie Fine, project director of the Linchpin Campaign at the Center for Community Change and board member of the National Committee for Responsive Philanthropy. “Whether you agree or disagree with the facts and perspectives,” writes Pablo Eisenberg about *The Revolution Will Not Be Funded*, “their passionate message and convictions carry disturbing seeds of truth and resentment.”

Although an age-old issue, this conversation has emerged today as a critical one, as wealth inequality continues to reach obscene levels and nonprofits are unable to take on greater responsibility in fulfilling basic human needs once provided by government.

Without a doubt, it is healthy for the social justice movement to take stock of how effective—or ineffective—it has been over the past thirty years.

So, what now? It’s a no-brainer that social justice organizations should build broad-based political power through grassroots fundraising, but what about foundation funding? It is common knowledge that the current model of philanthropy is not working, with the overwhelming bulk of foundation funds going toward perpetuating institutions that service the elite. But to simply look for alternatives to foundation funding is to miss a tremendous political opportunity to transform frustration into action. Now is the time to democratize philanthropy and push for fundamental tax reform to ensure that massive wealth isn’t accumulated in the first place.

WHY GO AFTER FOUNDATION FUNDS?
In 2006, Warren Buffet pledged to donate more than $30 billion to the Bill and Melinda Gates Foundation. Three trustees—Bill Gates, Melinda Gates and Mr. Buffett—and two other key players—Bill Gates Sr. and Gates Foundation CEO Patty Stonesifer—will decide how to allocate the $3 billion the foundation is required to pay out each year.

While it is impressive that Mr. Buffet, or Bill Gates for that matter, chose to donate their excess wealth to the Gates Foundation, the reality is that foundations are made partly of dollars that, were it not for charitable deductions allowed by tax laws, would have been public funds to be allocated through the governmental
process under the controlling power of the electorate. According to the Joint Committee on Taxation, these charitable deductions cost the Treasury Department $40 billion in lost tax revenue in 2006.4

In fact, it is estimated that at least 45 percent of the $500 billion that foundations hold in their coffers belong to the American public. As Akash Deep at Harvard University and Peter Frumkin at University of Texas note, “When a foundation is created today, the burden of lost tax revenue is borne by citizens today in the form of a tax expenditure,” with the promise that it will be paid out in the future.5

This is best illustrated by investigative journalist Mark Dowie, who wrote in his seminal book, American Foundations: An Investigative History, a story about a meeting of the trusted inner circle of the Open Society Institute (OSI), a private foundation started by the international businessman George Soros. During a protracted argument that kept the group’s discussion going in circles, a frustrated George Soros exerted his authority, slammed down his fists, and said, “This is my money. We will do it my way.” This interjection silenced the room, except for a courageous junior member who raised his voice in objection to tell Mr. Soros, “No, it isn’t.” The young dissident went on to say, “Half of it is ours. If you hadn’t placed that money in OSI or another of your 25 foundations, sir, about half of it would be in the Treasury.”6 We need to have the same courage to reform American philanthropy to salvage democracy.

The considerable tax benefits that Mr. Buffett will receive for his generous donation translates to more than $10 billion that we, the American public, have agreed to entrust to five individuals to determine, based on their worldviews, which causes and organizations are worthy to receive a portion of this largesse.

The danger that this poses was seen last fall when the Gates and Rockefeller Foundations committed $150 million to the Alliance for a Green Revolution in Africa (AGRA). This biotechnology initiative, according to the Bill and Melinda Gates Foundation web site, will develop genetically altered seeds to “attain the best yields in the diverse environments of Africa and work to make sure these high-quality seeds are delivered to farmers who need them most.”7 In the eyes of the Gates Foundation trustees, biotechnology in agriculture in Africa is the silver bullet to hunger and malnutrition.

There are many problems with this Gates Foundation initiative, which the Institute for Food and Development Policy thoroughly assessed in a 2006 report.8 These include a suite of social and environmental problems, much like those experienced during the first Green Revolution, such as the widening gap between rich and poor farmers, degradation of agro-ecosystems, farmers’ exposure to environmental risk, and the loss of biodiversity, among many others. Another major critique of the Green Revolution is the dependence that farmers develop on genetically engineered seeds, which are patented by corporations that sell them. For centuries, farmers have saved seeds, but with genetically engineered varieties, farmers have and will continue to be dependent on biotech companies for their seed supply. Furthermore, as governments around the globe ban the importation of food containing genetically modified organisms, why would the Gates and Rockefeller Foundations want to impose this ethically questionable form of agricultural practice on an entire continent?

This example embodies the problem of the Gates Foundation having more wealth than the GDP of
dozens of African countries combined. Just because Gates Foundation trustees believe the solution to problems of low agricultural productivity rests on technology doesn’t mean it’s the one shared by millions of peasant farmers whose lives and livelihoods will be affected most by the Green Revolution. At the 2007 World Social Forum in Nairobi, 70 African civil society organizations from 12 African countries issued a statement that, “AGRA is putting over $150 million towards shifting African agriculture to a system dependent on expensive, harmful chemicals, monocultures of hybrid seeds, and ultimately genetically modified organisms,” and that these initiatives “underrepresent the real achievements in productivity through traditional methods, and will fail to address the real causes of hunger in Africa.”

Furthermore, as foundation dollars are removed from the tax base, every level of government has less revenue to operate, which translates to billions of dollars of budget cuts in social services and environmental protection. When public funds are so desperately needed today, why should foundations use public money to forward their own private agendas and protect their own financial and political interests?

Social justice organizations must pursue foundation funds, or rather, quasi-public dollars, because half is essentially theirs. As stewards of equity and democracy, social justice organizations have the responsibility to challenge this philanthropic system in which an exclusive, strictly chosen group of wealthy individuals controls hundreds of billions in tax-exempt assets. This is not an arrangement that benefits democracy. On the contrary, it is anti-democratic. We need to advocate for philanthropic reform that ensures that foundation boards are more representative of the American public. Foundations should be mandated to have community leaders, working-class men and women, and people of color—soon to be the majority of the population in the United States—to serve on their boards. Their participation in the decision-making process in allocating grants will help ensure that the public benefits more broadly from the grant pie.

Nonprofits increasingly are expected to take on responsibilities traditionally held by government, such as providing health care to the poor and elderly, job training and providing emergency food. But there simply is not enough money given out by foundations to fund all these programs. Foundations must fund social justice organizations because these are the groups that will advocate for policies that go to the root causes of social problems and that seek to end government off-loading of social services.

According to Karen Topakian, executive director of the Agape Foundation in San Francisco, the more foundations give to social justice organizations to advocate for systemic change, the less we will need social service organizations in the long-term. “If I fund organizations working for universal health care, the less I will have to fund community health clinics.” Just as right-wing foundations funded $1 billion for conservative ideas in the past 30 years, $1 billion toward funding social justice organizations can go a long way toward restoring democracy, equality and genuine opportunity.

In addition to the need for philanthropic reform, there also is the broader issue of tackling the byzantine tax code that enables the extreme rich to accumulate their wealth. As Kim Klein says, “The money exists to solve almost every problem in the world, and it is not hard to figure out where it is. It is a question of creating policies to distribute it.”

Some exciting initiatives are brewing that can curb extreme concentrations of private wealth and narrow the gap between executive and worker pay. One initiative from the Program on Inequality and the Common Good at the Institute for Policy Studies proposes raising the top marginal federal income tax rate on ultra-high incomes.

Thanks to massive tax cuts to the wealthy legislated by the Bush administration and the Republican-dominated Congress, our nation is facing the most regressive tax sys-
tem seen in more than 50 years. In 2004, taxpayers with incomes over $5 million paid on average 21.9 percent of their incomes in federal tax; in 1952, they paid 51.9 percent. According to the Institute on Taxation and Economic Policy, if the federal income tax rate on all incomes above $10 million was raised to 70 percent and incomes of $5 to $10 million were taxed at 50 percent, federal revenues in 2008 would increase by $105 billion.13 This money would go a long way toward reforming our failing health care and education systems. Foundations can, and should be, partners with social justice organizations in advocating for a government that uses taxes in the way that they are intended—for the welfare of all people.

Even Warren Buffet is an avid opponent of more tax breaks for the ultra-rich. In response to a 2003 Senate tax cut on individual dividends, Buffet wrote in an op-ed, “When you listen to tax-cut rhetoric, remember that giving one class of taxpayer a ‘break’ requires—now or down the line—that an equivalent burden be imposed on other parties. In other words, if I get a break, someone else pays. Government can’t deliver a free lunch to the country as a whole. It can, however, determine who pays for lunch.”14

Mr. Buffet also is an advocate of foundations paying out more now rather than holding their assets in a way that has led Pablo Eisenberg to call them “warehouses of wealth.”15 When he made his gift to the Gates Foundation, he added a clause that required the foundation to spend each increment within the year. “I wanted to make sure,” he said, “that to the extent I was providing extra money to them, it didn’t just go to build up the foundation size further, but that it was put to use.”16

Let’s set the record straight: many foundations are created not only from wealth that was made off the backs of hardworking people, but from a social compact they accepted as a result of major tax breaks their donors received. “It is essential that foundations fund radical, movement-building work that can address root causes, such as the labor exploitation that enabled their benefactors to make their profit in the first place,” says Ari Wohlfeiler, the young fundraiser with Critical Resistance, the abolitionist organization working to deconstruct the prison industrial complex. We have a right to take back the dignity that was stolen from our families and our communities through decades of exploitation by the rich, and to demand that these foundations fulfill the social responsibilities they took on. But this requires democratizing philanthropy, and a new courageous attitude from social justice nonprofits.

Christine Ahn is a fellow at the Korea Policy Institute in Los Angeles, Calif., and an NCRP board member.

DETAILS

1. Ruthie Gilmore, speech delivered at the Revolution Will Not Be Funded: Beyond the Nonprofit Industrial Complex, University of California, Santa Barbara, California, 2004.
Grassroots community organizations have been at the forefront of the fight for decent wages, emergency food assistance, fair treatment and other social issues for many decades. NCRP recognizes the crucial role that community organizing can play in helping fight for the rights and provide for the needs of the disadvantaged, and in trying to reform—politically and socially—a system that continues to perpetuate the problem. Many of these organizations, such as those working to improve the nation’s failing education system, are in need of more foundation support to help develop effective, long-term solutions.

NCRP asked Julie Kohler, director of evaluation and program manager for Public Interest Projects’ Communities for Public Education Reform (CPER) program, to share how this funder collaborative for education organizing is answering the call for foundation involvement in the fight to ensure that our country’s children have equitable access to quality public education.

In May 2007, Public Interest Projects launched Communities for Public Education Reform (CPER), a funder collaborative for education organizing, with awards totaling $2.4 million in grants and technical assistance contracts to 19 education organizing and allied organizations, and two coalitions involving ten additional organizations in four U.S. localities.

The effort represents an unprecedented scale in philanthropic commitment to community-based public education reform. Over three years, the fund anticipates disbursing at least $7 million to community groups working to organize communities around education reform.

The goal of CPER is to improve educational equity and quality for low-income students of color by giving community residents a stronger voice in shaping the policies that affect their public schools. In statehouses, legislatures and school districts across the country, many of the decisions affecting public education are made without the input of communities—those whose on-the-ground needs and experiences allow them to ask the tough questions about inequities and offer intelligent and pragmatic solutions. CPER-funded groups are working to address a number of issues that community members deem critical, including insufficient and inequitable funding, inadequate and outdated school facilities, high dropout rates, the lack of highly qualified and culturally competent teachers, and insufficient services for immigrant and special education students.

EDUCATION ORGANIZING AND THE IMPETUS FOR CPER

Over the years, there have been many examples of successful education organizing that have resulted in marked improvements in schools and instructional practice. Once focused almost exclusively on short-term tactics to deal with immediate problems in schools, community organizations have become more systemic and strategic in recent years. They have developed more sophisticated campaigns, often in partnership with educators, students, researchers, advocates, teachers’ unions and other support groups.

Systemic education organizing campaigns have benefited from collaborative funding at the local level. For example, the Boston Parent Organizing Collaborative (BPON) and the New York’s Donor’s Education Collaborative (DEC) have been instrumental in enabling community organizations and educational advocates to work together to push successfully for large-scale, equity-focused educational reforms, including billions of dollars in new funding for New York City’s public schools.

Candidates from Logan Square Neighborhood Association Grow Your Own Teachers project in a study circle for one of their college classes.
Despite its potential and efficacy, which has been documented by a growing body of research from the Annenberg Institute on School Reform, the Harvard School of Education, Research for Action and the Institute for Democracy, Education and Access (IDEA) at UCLA, the field of education organizing remains fragile and under-resourced. Its successes are just now emerging, and many in philanthropy still view education organizing as it existed 15 or 20 years ago, when community organizations were more confrontational and less focused on longer-term, collaborative strategies needed to improve schools and systems. As Aaron Dorfman, NCRP’s executive director, noted in the spring/summer issue of Social Policy, less than 10 percent of all education grantmaking (approximately $35 million) over the past several years had the explicit purpose of changing education policy; support for organizing is a small subset of that $35 million. Model program development and strategic interventions, often in partnership with schools and school districts, remain the dominant models of foundation investment in education.2

Philanthropic interest in direct interventions in schools has been beneficial, helping to produce some excellent schools and teaching the field a great deal about the “technology” of improving education. For example, philanthropic investments in high school reform have revealed the value and potential of small learning communities to create nurturing and supportive environments for adolescents.

Unfortunately, the history of school reform suggests that even when individual school reform efforts are successful, success often is fragile, short-lived and dependent largely on the extraordinary commitment and talents of dedicated professionals working within each institution. While schools surely could use more leaders of this type, the failure to scale-up and sustain equity-focused reforms has occurred, in part, because schools—and school systems—are inherently subject to the politics and culture of their communities. For instance, reform agendas often shift when a new superintendent or mayor comes into office, and fiscal and political pressures can lead to the rollback of reforms.

Education organizing has great potential to address the political and cultural dimensions of school reform, and in so doing, address educational inequities at scale. Education organizing also develops leadership and builds constituents to push for reforms that can be sustained over time. Because children in a given family or neighborhood likely will attend local schools for elementary and secondary education, parents need their children in a given family or neighborhood likely will attend local schools for elementary and secondary education, parents need their

By empowering local residents to connect with grassroots efforts and fully engage in the reform process, organizing can generate fresh ideas ... and create the public and political will needed to address inequities at all levels and achieve meaningful reforms ...

THE CPER APPROACH TO FUNDING
Responding to the inherently place-based nature of education organizing and the central goal of improving educational opportunities and outcomes for large numbers of students, CPER is structured to assure that the majority of its resources are used to strengthen local education organizing campaigns. Since CPER seeks to support campaigns that can be sustained over time, the fund leverages support through a match ratio of at least one local dollar to each national dollar, with a $500,000 annual cap.
CPER’s four sites—Chicago, Denver, New Jersey and Southeastern Pennsylvania—were selected through an RFP process designed and vetted by staff at Public Interest Projects, a 501(c)(3) public charity that manages the fund, and national funders serving on CPER’s National Steering Committee. Site selection was based on several criteria, including the readiness of local funders to invest resources, the existence of high quality education organizing work on the ground and the alignment between the site’s proposed work and CPER’s priority issue areas.

In Chicago, CPER is investing in two large-scale education organizing coalitions: Grow Your Own (GYO) Illinois and Voices of Youth in Chicago Education (VOYCE), both of which are working to bring the community voice into the policymaking process and deliver major education policy victories over the next three years, particularly around teacher quality, college readiness and improving the high school curriculum in low-income schools.

In Denver, CPER is funding education organizing groups working to strengthen effective policies and programs that ensure that key marginalized groups have access to high quality educational experiences. Immigrants, English Language Learners (ELLs) and other low-income students are the major focus of CPER’s Denver-based work. Specifically, Denver CPER is investing in building the capacity of two “anchor” grantees Metro Organizations for People (MOP) and Padres/Jovenes Unidos, by helping them expand regionally and strengthen their state education policy agenda. In order to fortify the field of education organizing, CPER conducted organizational assessments on smaller “field building” organizations and is supporting, through grants or technical assistance contracts, the organizational development and capacity of the Project VOYCE and Northeast Parents for Quality Education (NEPQuE).

CPER work in New Jersey seeks to ensure that the state meets its State Supreme Court-mandated obligation, also known as the Abbott decision, to fund equitably its 31 most disadvantaged districts. Specifically, CPER funded education organizing campaigns in three cities (Newark, Jersey City and Paterson) focused on implementing Abbott school funding mandates, new school construction and the provision of supplemental programs to low-income students. The local organizing groups and their allied partners also are collaborating on a statewide policy agenda focused on protecting and strengthening Abbott.

In Southeastern Pennsylvania, CPER’s work focuses on finance equity and high school reform. CPER funded a collaborative of five organizing and three allied groups that are working to help students, parents and other stakeholders hold the public education system accountable for equitable, quality public education; promote high school reform throughout Philadelphia (i.e., ensuring that “reformed” schools have the resources, flexibility and standards needed to actualize their potential and improve educational outcomes for students); document existing gaps among schools and school districts to raise public awareness of educational inequities; increase support among state policymakers for an equitable education funding formula and increase legislative funding for under-resourced schools.

In addition to the direct grant support to education organizing campaigns in the fund’s four sites, CPER supports a Community Learning and Technical Assistance Network (CLTAN) that helps increase the effectiveness and visibility of education organizing campaigns at the local, state and national levels. Specifically, the CLTAN invests in technical assistance, cross-site learning, evaluation and documentation strategies that support community organizations’ efforts to improve the equity and quality of public schools, and build funder understanding and support for organizing as an education reform strategy. The ultimate goal is for education organizing—like research, policy advocacy and model program development—to be seen by funders and the public as essential to creating a public education system of high quality, equitable schools.

The ultimate goal is for education organizing—like research, policy advocacy and model program development—to be seen by funders and the public as essential to creating a public education system of high quality, equitable schools.
A PROMISING FUTURE
Although it is too early to know whether CPER will produce its desired changes in education policy, practices and financing, the interest the fund has generated within philanthropy is encouraging. It suggests a growing awareness of the critical leadership role that parents and students can and should play in education reform.

Foundations may decide to support organizing for a variety of reasons, viewing it as a way to ensure accountability, encourage democratic processes, or engage communities around specific education reform strategies. Regardless, by investing in CPER and other education organizing initiatives, philanthropy is sending a message: that the discourse around public education reform must be broadened into a community conversation among educators, policymakers and families—the consumers of education.

Julie Kohler is the director of evaluation and program manager for Public Interest Projects’ (PIP) Communities for Public Education Reform program, which involves nearly 70 community organizations, and local and national funders. PIP is a 501(c)(3) public charity that operates grantmaking, technical assistance and strategic-planning programs for institutional and individual donors interested in social justice and human rights issues. By developing sustainable partnerships among donors, grantees and allied groups, PIP seeks to foster a movement of positive social change resulting in equality, fairness and a stronger participatory democracy.

NOTES
1. This article is based on a concept paper developed by Henry Allen at the Discount Foundation, Lori Bezahler at the Edward W. Hazen Foundation, Christine Doby at the Charles Stewart Mott Foundation, and Cyrus Driver at the Ford Foundation.
3. More information on this landmark ruling is available online on the Education Law Center’s web site: http://www.edlawcenter.org.
Creating a Philanthropic Sector that is More Responsive to the Needs of Diverse Communities

Comments to the House Committee on Ways and Means, Subcommittee on Oversight from the National Committee for Responsive Philanthropy

September 25, 2007

Today’s news is inundated with stories of social and economic hardships that low- and middle-class Americans face, from the disheartening state of the country’s health care and public education systems, to the increasing disparity between the have’s and have not’s. In the midst of this all, many of the estimated 1.8 million tax-exempt organizations—including foundations, public charities and other 501(c) groups—seek to meet the needs of the country’s diverse populations and change those systems that seem programmed to perpetuate these problems.

For over 30 years, the National Committee for Responsive Philanthropy (NCRP) has been at the forefront of efforts to ensure that private foundations and other grantmaking institutions more effectively serve the country’s diverse communities. NCRP has also been a leading voice for foundation accountability and for effective and socially responsive grantmaking practices. Our comments will focus on how well the nation’s grantmakers are serving diverse communities.

Although foundation funding is miniscule compared to the amount the U.S. government has at its disposal to provide social services, many nonprofits serving diverse communities depend on this non-governmental source of support for survival. It is because of this unique and invaluable role that all Americans should all be concerned about how U.S. foundations are measuring up to the challenge of serving diverse constituencies.

While there are many notable exceptions, private foundations and other grantmaking institutions are not doing as much as they could or should to serve diverse communities. Specifically, foundation grantmaking for ethnic minorities, indigent populations and rural areas is either steadily declining or is not growing at the same rate as overall philanthropic giving. In addition, only a relatively few minority-led nonprofits are able to access foundation grant dollars. These claims will be substantiated in detail later in these comments.

The limitations in available data make it difficult to draw a complete picture of how well foundations are serving indigent and marginalized communities. The Foundation Center is the only organization aggregating information about foundations grantmaking. Regrettably, their most current data only covers grants of $10,000 or more from approximately 1,100 larger foundations of the 105,219 private foundations nationwide. Because of the relatively small sample, as well as the large size of the total grantmaking of those foundations surveyed, the numbers from the Foundation Center data do not present a comprehensive review of how well all foundations respond to the needs of low-income communities. Nonetheless, by supplementing the information from the Foundation Center and those from other organizations that are trying to fill the information gap, we have a snapshot of grantmaking trends that allow us to raise important questions about the role tax-exempt foundations play in addressing the needs of diverse communities.

DO FOUNDATIONS SERVE THE NEEDS OF DIVERSE COMMUNITIES?

> Foundation grantmaking for ethnic minorities is low and is not growing at the same rate as overall giving.

> Grantmaking targeted specifically to indigent populations is steadily declining as a proportion of total foundation grantmaking.

> Foundations do not provide grants to rural nonprofits at the same level as urban nonprofits despite the clear need for philanthropic support.

> Relatively few minority-led nonprofits are able to access foundation grant dollars.

> Foundation funding is dwarfed by government spending and should not be thought of as a legitimate substitute for meeting the needs of diverse communities.

GRANTMAKING FOR ETHNIC/RACIAL MINORITIES

According to Foundation Center data, grantmaking for minorities has declined as a proportion of large foundation grants between 1998 and 2005 (the last year for which sur-
In 1998, 9.9 percent of grants from foundations surveyed were designated for ethnic or racial minorities. After dropping to 7.4 percent in 2004, in 2005 the survey found that 8.2 percent of grants went to programs targeting racial and ethnic minorities. While grant-making dollars on the whole increased nearly 70 percent from 1998 to 2005 (from $9.7 billion to $16.4 billion), grants designated specifically for African American populations declined dramatically from $367,067,000 or 3.8 percent of grants awarded in 1998 to $315,458,000 or 1.9 percent in 2005.

Additionally, many people believe that the racial/ethnic makeup of a nonprofit organization’s leadership and staff has considerable impact on the effectiveness of its programs and on its ability to effectively serve minority communities. There is very limited data, however, on foundation giving to minority-led nonprofits. In 2006, the California-based Greenlining Institute issued a report on grantmaking that covered 24 national independent foundations and ten California foundations. The report analyzed 13,566 grants and found that 14.7 percent of the grant dollars went to minority-led organizations. However, when one unusually large $535 million grant from the Bill and Melinda Gates Foundation to the United Negro College Fund is excluded, only 3.6 percent of the grant dollars in the study went to minority-led organizations.

While the methodology of the Greenlining study has been subject to some controversy, the general reaction of many within philanthropy has been that the study, while flawed in terms of exact numbers, raises important issues that are reflective of the reality that few minority-led nonprofits are receiving significant grant support. The study results prompted the California legislature to introduce a bill requiring foundations with more than $250 million in assets to report on the racial and ethnic makeup of the leadership (board and staff) of the groups receiving their funds, as well as the racial and ethnic makeup of any vendors and consultants hired by the foundations.

The Foundation Center data on funding for community development and employment programs also show decline in foundation support. Between 2004 and 2005, grantmaking to community improvement and development dropped 20 percent, from $684 million or 4.4 percent of total foundation grant dollars to $567 million or 3.5 percent. In terms of traditional community development initiatives, foundations are gradually reducing their support.

In addition to community development, various categories of human service funding are slowly dwindling, particularly grantmaking for employment, such as job training, placement and workforce development. Between 2001 and 2005, funding for employment programs dropped 22.5 percent, from 0.9 percent of total
grant dollars or $147,846,000, to a mere 0.7 percent or $114,357,000 in 2005.8

GRANTMAKING FOR RURAL COMMUNITIES
Foundation Center data indicates that the majority of the funding categorized as benefiting economically disadvantaged populations goes to urban organizations that have nationally focused programs. Little data exists on funding for rural social services and anti-poverty organizations. There is no doubt, however, that there is clear need for a considerable increase in philanthropic support for rural areas. In 2003, 14.2 percent of those living in rural America lived below the federal poverty level, compared with 12.5 percent of the entire U.S. population.9 According to the Rural Poverty Research Center, 88 percent of persistently poor counties are nonmetro; and 18 percent of nonmetro counties are persistently poor, compared to only 4% of metro counties.10

So far, a majority of the country’s grantmaking institutions have not answered the calls for help from rural nonprofits. Organizations serving rural communities lag behind their urban counterparts in terms of access to philanthropic resources. The Big Sky Institute in a recent study found the 10 states that have the least amount in foundation assets—1.5 percent in total—are states considered to be largely rural, such as North and South Dakota, Montana and Mississippi.

The National Committee for Responsive Philanthropy recently released the report Rural Philanthropy: Building Dialogue From Within, which provides concrete recommendations on the steps that grantmakers can take to increase support for rural organizations. NCRP's recommendations include the increase in flexible, multi-year grants to build human and organizational resources, and the strategic use of intermediaries and funding collaboratives.11

In 2006, Sen. Max Baucus (D-Mont.) challenged the country's grantmaking institutions to double their support for rural communities within five years. Only time will tell if the philanthropic community will step up to the challenge.

FOUNDATION GRANTMAKING NOT A SUBSTITUTE FOR GOVERNMENT SPENDING
Government spending dwarfs foundation funding. The nation’s grantmaking foundations gave away a total of 36.4 billion dollars in 2005,12 an amount equal to significantly less than one percent of total government spending at all levels in that year.13 When considering how best to meet the needs of diverse constituencies, lawmakers should not think of foundation funding as a legitimate substitute for government spending.

Even so, foundations can and should be expected to do more to support racial and ethnic minorities and economically disadvantaged groups. Foundations have a unique role to play in supporting those communities. Given their relative freedom under the tax code, foundations can provide support to lift up marginalized communities in ways that government cannot. They can support civic engagement, community organizing and policy advocacy activities that help communities of color and low-income communities participate fully in the democratic process and advocate on their own behalf. Sadly, foundation support for these kinds of activities is much lower than one would expect, given the autonomy foundations enjoy.

A recent report classified this type of giving as “social justice grantmaking.” The report showed foundations gave $1.76 billion for social justice causes in 2002. In the period between 1998 and 2002, social justice giving grew by 53.4 percent. However, this impressive number is overshadowed by the fact that total giving rose by 64 percent during the same period, causing the percentage of foundation giving that was earmarked for social justice grants to drop to 11.8 percent.14

CONCLUSIONS
Last week, Forbes released the Forbes 400. For the first time in 25 years, the cut-off amount for inclusion on the list was at $1.3 billion, $300 million more than in 2006. The net worth of all 400 billionaires in the list was $1.54 trillion, up $290 billion from last year.15 This is another manifestation of how the nation’s wealthiest are controlling more of the country’s income at a time when sharp personal tax cuts under the current administration means these ultra-rich are giving less to government.

Many of these billionaires and other Americans across the economic spectrum donate portions of their wealth to various charitable causes, including private foundations, which then become trustees of those tax exempt dollars. How much do these foundations spend their philanthropic dollars for the public good? Is their grantmaking responsive to the needs of the country’s diverse communities?

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:

> Foundation grantmaking for ethnic minorities is low and is not growing at the same rate as overall giving.
> Grantmaking targeted specifically to indigent populations is steadily declining as a proportion of total foundation grantmaking.
> Foundations do not provide grants to rural nonprofits at the same level as urban nonprofits despite the clear need for philanthropic support.
Relatively few minority-led nonprofits are able to access foundation grant dollars.

Foundation funding is dwarfed by government spending and should not be thought of as a legitimate substitute for meeting the needs of diverse communities.

NCRP is encouraged that the Subcommittee on Oversight is taking these very important issues seriously. We look forward to an ongoing dialogue about how the nation’s grant-making institutions can better serve the needs of people and communities who need it the most.

NOTES


4. Ibid.


Help Support Philanthropy at its Best – Join NCRP Today!

Join NCRP now to help us promote philanthropy that serves the public good, is responsive to people and communities with the least wealth and opportunity, and is held accountable to the highest standards of integrity and openness.

As a member you will receive benefits including:

> Four issues of NCRP’s quarterly, Responsive Philanthropy. Find news and perspectives you won’t get anywhere else. We dig deeper into stories glossed over in the mainstream and say the things that no one else will say.

> E-mail news releases and action alerts. Keep abreast with our e-newsletter and e-mail news releases.

> And most importantly, a voice. Your membership will help nurture values and practices crucial to helping philanthropy serve the public good.

JOIN ONLINE at ncrp.org

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<td>Organizational</td>
<td>From $50 to $500 based on budget size. For your rate, please contact Kevin Faria, Development Director, at <a href="mailto:kfaria@ncrp.org">kfaria@ncrp.org</a> or 202-387-9177x.14</td>
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<td>Foundation Membership</td>
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To join NCRP by mail, please send your check, money order, or credit card information to: NCRP, 2001 5 Street, NW, Suite 620, Washington, DC 20009. For more information, visit us online at www.ncrp.org, call us at (202) 387-9177, or fax (202) 332-5084. NCRP is a 501(c)(3) nonprofit organization.
Finally, responsive philanthropy serves those with the least wealth and opportunity. In our pluralistic society, philanthropy has a special responsibility to nurture and strengthen democracy by supporting low-income communities, communities of color and other marginalized groups as it fills the void that government and the market economy have left. Additionally, by supporting civic engagement, policy advocacy and community organizing in underrepresented communities, philanthropy ensures that all voices are heard in the public square.

Responsive philanthropy, therefore, meets all of these criteria and represents what we believe to be philanthropy at its best.

Over the next five years, NCRP will build on its more than thirty-year track record as the nation’s premier philanthropic watchdog and bring the organization to a new level of effectiveness and impact. We have developed a strategic plan that will serve as a roadmap for our efforts.1 By implementing this plan, we are confident we will see more funders practicing responsive philanthropy in the years to come.

What will be different under this plan? How will the new NCRP compare to the old NCRP?

**Higher quality, more focused research.** Under this new plan, NCRP will function with greater clarity, discipline and focus, aligning our research with our goals. We also will improve the quality of our research and ensure that what we produce is always credible and defensible.

**More collaboration.** We’ll systematically build alliances in the sector and collaborate strategically with allies. That’s not to say we’ll shy away from a good fight, but we realize that such partnerships have been underutilized in the past.

**Larger, more engaged membership.** Thousands of people across the country share NCRP’s vision for philanthropy. Many of them are working for foundations or nonprofits, while others are consultants in the field or policy makers working to serve disadvantaged communities. To encourage new and continuing memberships, we have revised our dues structure. NCRP will harness the energy and commitment of our members as vital components of future campaigns.

**Better communication.** We’ll expand our communications efforts to get our message into the right hands to achieve our goals. All new NCRP publications now will be available for free download on our web site to expand our readership. We’ll continue to improve our communications infrastructure and make better use of electronic communications.

**Improved impact measurement.** We’ll measure the impact our work is having on the practice of philanthropy in America. We’ll examine the extent to which our goals are being achieved and how our program work has contributed to changes in philanthropic behavior. We’ll then use the findings to improve our programs.

The board and staff of NCRP are excited about this plan, but we can’t transform philanthropy without the combined efforts of the thousands who share our vision. I invite you to join us as a member, ally or funder, and help us promote philanthropy at its best. Together, we can have real impact on people’s lives by ensuring that philanthropy contributes to a fair and just society.

**NOTES**

1. The NCRP Board of Directors adopted the plan at its meeting in September 2007. See the box on page 15.
MISSION
NCRP promotes philanthropy that serves the public good, is responsive to people and communities with the least wealth and opportunity, and is held accountable to the highest standards of integrity and openness.

VISION
We envision a fair, just and democratic society where the common good is recognized as a high priority; where a robust public sector is empowered to protect, preserve and extend the commonly held resources and the public interest; where a vital nonprofit sector provides voice and value to those most in need; and where all people enjoy equality of opportunity, access and fair treatment without discrimination based on race, gender, sexual orientation, physical ability, national origin or other identities.

We envision philanthropy at its best contributing to this vision of society by operating with the highest standards of integrity and openness and by investing in people and communities with the least wealth and opportunity and the nonprofit organizations that serve and represent them.

VALUES—PHILANTHROPY AT ITS BEST

> Philanthropy at its best serves the public good, not private interests. NCRP believes that the public has a legitimate interest in the use of philanthropic resources. Donors receive the privilege of tax deduction for charitable donations and tax exemption on investments. Foundations and other philanthropic institutions, therefore, have a responsibility to use their resources for the public good. The public benefit of philanthropy should at least exceed the public benefit that would have been possible with the foregone tax revenue—otherwise, the public interest is not being served. Both self-regulation and government oversight are needed to ensure that philanthropy serves the public good and is not abused for personal or political gain. Executives and boards of directors should rigorously ensure that their organizations live up to the highest standards of honesty, integrity and openness. Government should rigorously enforce the law, ensure sufficient transparency and aggressively prosecute abuses of philanthropy.

> Philanthropy at its best employs grantmaking practices that most effectively help nonprofits achieve their missions. NCRP believes that both grantmakers and nonprofit organizations are committed to improving society. Grantmakers, therefore, have a responsibility to listen to the needs, concerns and criticisms of their nonprofit partners and respond to what they hear, trusting that nonprofit leaders possess deep wisdom about what they need in order to most effectively achieve their missions and address critical societal needs. Grantmakers also should seek other forms of data about how grantmaking practices impact nonprofit effectiveness, and they should regularly adjust their practices to maximize the impact of their philanthropy.

> Philanthropy at its best strengthens democracy by responding to the needs of those with the least wealth and opportunity. NCRP believes that philanthropy has a special responsibility to nurture and strengthen democracy and that the nonprofit sector is uniquely suited to promote the health and vitality of our pluralistic society. To strengthen democracy, grantmakers should provide sufficient resources to people and communities with the least wealth and opportunity. They should trust those in need and closest to the problems to play a powerful role in crafting and carrying out solutions, and they should provide support for civic engagement, policy advocacy and community organizing so that organizations working with and on behalf of marginalized communities can participate effectively in the public square.

THREE PROGRAMMATIC GOALS

> To see fewer people and/or institutions abusing philanthropy for personal or political gain. This includes reducing abuses that are in violation of current law and also reducing practices that may be technically legal but serve only private interests, not the public’s.

> To see more funders employing good grantmaking practices that most effectively help nonprofits achieve their missions. This includes increasing general operating support, providing multi-year funding commitments and other practices.

> To see more funders providing support at higher levels for low-income communities, communities of color and other marginalized groups. This includes increasing funding for civic engagement, policy advocacy and community organizing with and on behalf of people and communities with the least wealth and opportunity.
New from NCRP

**A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking** (March 2007)
This new report from NCRP urges foundations to increase their core operating support giving to improve the effectiveness and impact of their grantmaking. It encourages nonprofits and their allies from philanthropic institutions to mobilize and develop a strategy to build a more responsive and effective grantmaking culture.

**Banking on Philanthropy: Impact of Bank Mergers on Charitable Giving** (June 2007)
This report examines the impact of the past decades’ bank mergers on philanthropy. It asks the questions: What level of giving is the right level, in which geographic areas and for what issues? As each of the corporations has expanded beyond retail banking to other financial services, what impact does or should that have on where and how they distribute their giving?

**Rural Philanthropy: Building Dialogue from Within** (August 2007)
This report examines perceived and real obstacles to foundation grantmaking in rural areas and recommends strategies to overcome those challenges.

Forthcoming Publications

**Conservative Philanthropy and Education Policy**
This report, which will be released in the Fall of 2007, will look at how those who support conservative policies on education issues (i.e., privatization) have been advancing their agenda through foundation grantmaking.

visit: www.ncrp.org/publications/index.asp