The Nobel Committee's Year of Firsts

In October 2004, the first Nobel Peace Prize was awarded to an African woman, Dr. Wangari Maathai, for her efforts in advancing a green movement. Maathai’s Green Belt Movement (GBM), a nongovernmental organization in Kenya, was founded in the early 1970s to raise environmental awareness and promote self and community empowerment within the country.

Nobel committee members have expressed hope that their decision will raise awareness about the relationship between securing living environments and keeping the peace. Natural resources are at the root of many bloody conflicts in Africa, and nongovernmental organizations, or NGOs, are essential to the cause of social justice on the continent, often

“The Prize for Peace” continued on page 13.

Prof. Wangari Maathai and Prof. Vertestine Mbaya, founding Board Member of the Green Belt Movement celebrate the Nobel Peace Prize
OPINION

Pragmatic Politics

By Rick Cohen

Nonprofits were alert and active on the days leading up to the national elections. Many were mobilizing people for voter registration, others for nonpartisan get-out-the-vote programs. Foundations put a large chunk of money into these nascent efforts toward enhancing the nation’s democratic process.

Although it’s laudable that nonprofits and foundations did more than ever to reach out to minority and low-income communities and connect them to the elections, something grave is missing from the moral compass of the nonprofit sector at this point in history. Evidence abounds of the willingness of the sector’s leadership to follow its own version of Bill Clinton’s recommended strategy of political triangulation—tacking to the center/right in order to curry favor with conservative voters or, in the case of nonprofits, conservative power brokers:

Elevating Rick Santorum: It’s hard to believe that the nonprofit sector could play up to a political leader who eviscerates what he called “consensual sex” (he actually meant consensual sex between same-sex partners) by comparing gay relations to “man upon dog” interactions.1 But pandering to Pennsylvania’s Republican junior senator they did, even to the point of a couple of nonprofit leadership PACs—including the Association of Fundraising Professionals and the American Society of Association Executives—funneling campaign contributions to the legislator. One hopes that they were not explicitly affirming Santorum’s prehistoric attitudes on gays and lesbians. They simply turned a blind eye, choosing to focus on the senator’s support for the nonitemizer tax deduction—which by itself is a losing proposition, from an economic efficiency perspective—and other charitable-giving incentives in the CARE Act.

With Senate Minority Leader Tom Daschle’s failed reelection bid, some nonprofit leaders—or their lobbyists—have anonymously chortled that the electorate had bulldozed the major Democratic roadblock stopping the nonitemizer from getting passed. Maybe the now ascendant Santorum and his Senate colleagues appear ready to move the legislation in the 109th Congress, perhaps as early as February or March. That Santorum

might reattach the discriminatory faith-based language that he so reluctantly pruned from the CARE bill passed by the Senate in 2003 drew no expressions of concern.

Even more tax cuts: Much like the soft endorsements of Rick Santorum, a number of national leadership nonprofits—including Independent Sector, National Council of Nonprofit Associations, Council on Foundations and United Way of America—issued a letter to President Bush a mere six weeks before the election calling on him to attach the CARE Act’s nonitemizer charitable deduction and the IRA charitable rollover provisions to a $146 billion grab bag of corporate tax cuts. With an unfathomable calculus, they argued that these demonstrably paltry charitable benefits would outweigh the damage of still more debilitating federal tax cuts.

Maybe they thought that lauding the president’s purported leadership of “the armies of compassion” in order to trade tax cuts for the CARE Act was simply pragmatic politics. Fortunately for them, the letter was released without fanfare. In pre-election caution, President Bush refused to accede for the moment to the call of the nonprofits and of conservatives in Congress. Though the corporate tax cuts, like every other Bush tax slash, eventually passed, the Velcro on the CARE bill failed to work.

Targeted IRS investigations: The nation’s nonprofit leadership spoke out in defense of the NAACP as it faces an IRS investigation for the organization’s exercise of free speech. The utterances that someone in the conservative firmament found so objectionable—criticizing the civil rights policies of the Bush administration—simply continue the core mission of the organization in its 90-year history: speaking out against the failure of every national administration to forthrightly address issues of racial discrimination and social inequities.

But the leadership didn’t speak out against
the behavior of so many church leaders who, unlike the NAACP, brazenly endorsed political candidates from the pulpit and may themselves—appropriately—be under IRS investigation. Take, for example, the electioneering of the Westover Hills Church of Christ in Austin, Texas. In February 2004, Legacy PAC, a conservative group that supports anti-abortion candidates, held a political event at the church, using the church collection plates to raise a targeted $5,000 for Republican candidates as the Texas Republican Party Chair and Party Treasurer exhorted the faithful to vote for Republican candidates, including George W. Bush. Defending the PAC’s use of the church for political fundraising was Republican National Committeeman Bill Crocker, suggesting that the PAC simply used the church (and its collection plate?), but the church itself wasn’t involved.

Legacy PAC’s church-based electioneering isn’t all that unusual. Lots of conservative churches have gotten close to Republican PACs and politicians—even Jimmy Swaggart’s television ministry endorsed the Christian Broadcasting Network’s Pat Robertson for president with scant criticism from the IRS. This year, Jerry Falwell used his Jerry Falwell Ministries newsletter to endorse President Bush’s reelection.

Is there a connection among our sector’s obsequiousness with Santorum, its toying with tax giveaways for corporations, and its pandering to the religious right? We believe there is a big connection. National nonprofit leaders, who now softly express concern about the Iraq war and remind their peers that federal expenditures for services and infrastructure are important, somehow omit both taking on the venomous anti-gay and -lesbian sentiments that unfortunately overwhelmed much of the electorate and challenging corporations for their ability to run amuck through the federal budget.

Pragmatic politics in some circles means soft-pedaling what the nonprofit sector should say about gay and lesbian civil rights, because some parts of the sector might not go along. Look at The Chronicle of Philanthropy’s post-election issue, which includes interviews with 21 sector leaders on the election; not one said a word about the potential role of foundations, much less the entire nonprofit sector, in countering the conservative’s rancorous, malicious campaign against gays and lesbians. Defending the rights of a huge portion of the American populace might offend some conservative-leaning nonprofits and foundations or, worse, Sen. Santorum, whose support is needed to push the nonitemizer tax deduction through Congress.

Pragmatic politics in some circles means downplaying concerns about the increasing unfettered corporate domination of our society. Some portion of corporate tax credits might make their way into nonprofit coffers, so better not to say anything bad about corporations. Some pro-corporate legislation, such as $146 billion in tax cuts, might serve as a vehicle for charitable-incentives legislation, so be careful not to offend corporate philanthropic partners.

The fact that the nonprofit sector’s leadership can be so easily and cheaply bought is almost as obscene as Santorum’s comments about gay and lesbian relationships. This version of pragmatic politics displayed by much of the nonprofit sector’s leadership did nothing to advance a progressive social justice agenda very far in November. Now is the time for the nonprofit sector—the bulk of which should be connected to social justice and full democracy—to rediscover a voice that is clear and strong and forthright. Tacking and triangulating to play up to some of these political leaders for short-term sector gains at the sacrifice of core principles of fairness and equity in our society—and transparency and accountability in our sector—aren’t pragmatic politics. They’re a losing proposition that feeds directly into the right’s strategy of silencing and controlling its opponents.

Notes

Rick Cohen is executive director of the National Committee for Responsive Philanthropy (NCRP). NCRP is an independent nonprofit organization founded in 1976 by nonprofit leaders across the nation who recognized that traditional philanthropy was falling short of addressing critical public needs. NCRP’s founders encouraged foundations to provide resources and opportunities to help equalize the uneven playing field that decades of economic equality and pervasive discrimination had created. Today NCRP conducts research on and advocates for philanthropic policies and practices that are responsive to public needs. For more information on NCRP or to join, please visit www.ncrp.org, call (202) 387-9177 or use the enclosed membership form.
The Community Reinvestment Act (CRA) was signed into law in 1977 to offset discriminatory redlining\(^1\) by banks who were not making loans to individuals and communities that were seen as too risky because of gender, low income or race. Since its implementation, the CRA has funneled more than a trillion dollars of service, investment and loans to rebuild distressed communities. Now the CRA is being threatened by federal bank regulatory agencies—under proposed changes to the act, fewer banks will be required to comply with the CRA. According to Lorna Bourg, a community organizer and executive director of Southern Mutual Help Association Inc., a rural development organization located in Louisiana, “The proposed changes will gut the CRA. We need to understand these are some of the most serious national changes to come down the pike since the Voting Rights and Civil Rights Acts of the 1960s—only in reverse. It really is about economic democracy. It’s about equal economic opportunity for all of our citizens.”

The CRA currently requires the banking industry to lend, serve and invest in our most distressed and marginalized communities and neighborhoods. Proposed changes in the current CRA could require only banks with assets of $1 billion or more to do so. The changes would also loosen the requirements on these particular banks. In rural America, there are few banks having assets of $1 billion. Less than 2 percent of rural banks will meet the FDIC proposed $1 billion threshold and thus, under the proposed rule change, would no longer have an incentive to lend, serve and invest in rural communities.\(^2\) The damage that would be done to economic opportunity by these proposed changes would not be limited to rural communities. In urban America, the number of banks currently investing in communities under CRA would also be greatly reduced.

As banks come under more pressure to produce short-term profits, many banks see the CRA as just additional paperwork and time that can be streamlined and diluted and, for many, discarded. Banks have come under increased pressure to perform and to produce profit, dividends and shareholder value. In this environment, it is important that the CRA exists to provide a balance to the inequities of a capitalistic society that also professes a democracy. The driving force of unbridled capitalism concentrates wealth, and results not only in the consolidation of banks but also in discriminatory and decreased services, lending and investment in communities. Should the CRA be changed to apply only to banks having less than $1 billion in assets, and the billion-dollar banks have a diluted form of CRA, those billion-dollar banks would serve poor neighborhoods and communities only with ATMs. And because any investment in rural America would count for CRA credit, poor rural communities in states like Louisiana could only see investments that served the interests of the banks and their shareholders, such as in oil and gas rigs, instead of loans to make homeownership possible for poor working families.

The proposed changes in the CRA would have a disproportional impact in rural communities. The implementation of these changes would result in the loss of billions of dollars of...
bank investments in rural America. Governors in states having large rural communities will have to look elsewhere to replace these lost revenues. There are some serious questions: Who will do this? The taxpayers? Which taxpayers? Probably not those in the highest income brackets. Where will the governors get the revenue? Or will they just suffer an increasing wealth gap in their states with its concomitant “underdeveloped world” or “third world” characteristics?

In a recent op-ed piece in the *New York Times*, Robert Rubin, former Treasury Secretary and current Citigroup director and Michael Rubinger, president of the Local Initiatives Support Corporation, maintain that “the capital made available under the act has helped rebuild entire communities.”

While bankers may complain that CRA is a burden, they also acknowledge that the CRA has been a needed leverage with their boards and stockholders to encourage the kind of involvement in communities that is good for banks, for communities and for the common good. Despite complaints, the CRA has not solely been a burden for banks. It has, in fact, been profitable and has opened up new and emerging markets to banks. As one rural bank president, who was recently the president of Independent Bankers of America, said of poor rural communities, “if we can make a better community, to put people in better homes, get them better educated, give them a better environment to live in, then I end up making more money. If you don’t save the community, guess what—you don’t have a community bank.”

Without the balancing pressure of an intact CRA, how will bankers explain to shareholders that long-term development of economically marginalized communities is worth giving up short-term profits? The caring banks that continue voluntary investments would find themselves at a competitive disadvantage to banks that won’t invest.

Banks are feeling besieged by the burden of newly imposed regulations such as the Patriot Act and the Sarbanes-Oxley Act, as well as the long-standing Bank Secrecy Act. While that sentiment is understandable, the banking industry has determined that to attack the burdensome paperwork and accountability of those regulatory requirements is not feasible and could be understood as unpatriotic. The easier target is to seek regulatory relief from the CRA. Yet in a survey within the banking industry itself, the regulatory burden of CRA is not even near the top of its concerns.

Change in the CRA does not even have to pass through Congress. Changing the CRA or even gutting it entirely is in the hands of federal bank regulators, the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), the Office of the Comptroller of the Currency and the Federal Reserve Board. The leaders in pursuit of changing the CRA are the OTS and FDIC. The other two regulators have deferred for now but could be pressured to follow the leaders of this movement. Judy Kennedy, president of the National Association of Affordable Housing Lenders, says, “This
whole thing is a charade. … The regulators have figured out they don’t even need to go to Capital Hill to gut the entire CRA.”

It is ironic that the banking community is attempting to throw off the burden of federal regulation, when federal regulations have for years brought protection, prosperity and position to the banking industry. Banks have benefited from regulations to prevent a run on banks and federal commitments to “bail out” failing banks, as was seen in the multibillion-dollar bailout of the savings and loans in the 1980s. The Federal Reserve helps banks access money at stable rates, makes discount funds available to banks and insures their liquidity.6 The Federal Reserve is the big brother that guarantees that dollars are available for the banking industry and helps to stabilize the economy. So, in effect, the banks have survived and thrived on the regulatory agencies that the taxpayer has supported through our federal government.

If we, as a nation, can go to Iraq and redevelop towns and villages devastated by war and engage in a long and expensive struggle to bring democracy to that nation, we can do no less for our poorer neighborhoods and communities devastated by the transitioning economies of global trade, the export of jobs, the historic disinvestment due to poverty, gender and race discrimination. Poor communities, low-income women and children, and people of color have suffered for years the disproportionate impact of the effects of cumulative stressors: poor health care, minimum wage, overwork when a parent holds two jobs, poor performing schools, inadequate or no child care for working parents and an accumulation of other stressors. Further disinvestment by gutting the CRA will only exacerbate these problems and is unworthy of this great nation.

Notes
1. Redlining is defined as an illegal practice in which certain neighborhoods—usually poor, inner-city neighborhoods with rundown housing stock—are defined by lenders and builders as areas in which mortgages will not be issued, or credit or insurance will be denied. From: www.pbs.org/hometime/glossary/buying2.htm
2. National Community Reinvestment Coalition - Source: FDIC Statistics on Depository Institutions Database

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Nonprofits Mobilize against CFC’s Terror List Check Requirements

Combined Federal Campaign requires participants to check employees against terror watch lists

By Alan Rabinowitz

After a season of complex relationships between federal authorities, the Ford Foundation, the ACLU and many other groups, the Associated Press reported on Nov. 11, 2004, that “the American Civil Liberties Union and a dozen nonprofit groups are suing the government over new rules requiring organizations that receive money for a federal employees’ charitable drive to check their staffs against terrorist watch lists.”

So what are the implications now for individuals, for charities and for our civil society? No one wants to be blown up by terrorists. No one wants to be called unpatriotic. And those of us who remember the harm done to our society by the McCarthy era’s proliferation of guilt by association do not like the smell of what is transpiring for the world of nonprofit organizations. I intend this piece to provide some useful background to the issues as they have now been framed by the ACLU’s suit.

The current stories do not yet indicate that the present situation has reached the proportions of Senator McCarthy’s investigations in the late 1940s and early 1950s. During that period, even you might have found yourself shying away from any contact with an old friend who happened to turn up on an FBI list of attendees at a public meeting or in the address book of someone brought in for questioning concerning activity with known communists. But I fear that the United States is entering another time when constructive relationships between government, organizations and individuals are threatened and even altered to the detriment of our democratic and pluralistic heritage.

The first set of governmental activities involved in the present situation are the so-called no-fly lists, which consist of an assortment of names garnered from a new set of unidentified sources. In an Aug. 17, 2004, article in The Washington Post, Anthony Romero wrote that “you, too, could be a suspected terrorist” if by chance your name, or a variation of your name, was found on this list, and you were hauled off for questioning and not allowed to fly. In his article, Romero, ACLU’s executive director, provided an essential bit of background to both the controversies about the no-fly lists and the obviously closely related issues arising from the new Combined Federal Campaign (CFC) regulation:

Under a little-known law from 1977, the International Emergency Economic Powers Act, serious potential sanctions apply to all employers and people in the United States, not just to CFC recipients. With the expansion of terrorist watch lists since Sept. 11, the implications of this policy have grown exponentially, but its existence and broad reach remain largely unknown. U.S. law forbids employers from hiring any individual designated on various governmental lists. If they hire someone from these lists unknowingly, the person or organization may be liable for civil sanctions, and if intentionally, criminal sanctions may be imposed.

I have not read any explanation of why the head of the Combined Federal Campaign (which entices federal employees to contribute to one or more in a long list of charitable and tax-exempt educational/advocacy organizations such as the ACLU) waited until October 2003, so many years after 1977 and two years after September 11, 2001, to begin requiring those designated CFC grantees to certify that “they do not knowingly employ individuals or contribute funds to organizations found on terrorist related lists promulgated by the U.S. government, the United Nations, or the European Union.”

The MacArthur Foundation’s grant letter (as reported by the ACLU) points grantees to “any list of suspected terrorists or blocked individuals maintained by the U.S. government, including but not limited to (a) the Annex to Executive Order No. 13224 (2201) (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or (b) the List of Specially Designated Nationals and Blocked Persons..."
maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury.”

Pity the nonprofit organization that tries to comply with this kind of ukase.² First of all, how does one definitively and affirmatively know who in one’s life might be committing, threatening to commit, or supporting terrorism, especially employees and all sorts of third parties connected in one way or another to one’s nonprofit work? The McCarthyite stain of guilt by association pales in significance to the work of sniffing out the kind of unpatriotic activities proscribed by President’s Bush’s 2001 executive order cited above (which was issued before the Patriot Act was passed and signed).

As for current lists, while there was originally confusion over which lists to check (among other things), OPM has clarified this with a memorandum on its Web site.³ The memorandum states that there are only two lists to check, but shows links to five other “relevant Web sites.” Once any false matches are eliminated, the organization is to report the person to the Office of CFC Operations (OCFCO). Here is what OMB Watch had to say in its Nov. 15, 2004, statement on this set of problems:

“This active obligation is misguided, unduly burdensome, and vulnerable to abuse for political purposes. The lists are notoriously fraught with inaccuracies and ambiguities, so there is no way to verify whether a name on the list is actually the individual encountered (they may coincidentally have the same name or may be using a different name but still be the person listed). Government watch lists change continually, so charities would have to check them continually, which they don’t have time and resources to do. Compliance is simply impossible.

At one end of the spectrum, the CFC director, Mara Patermaster, naturally expects the affected charities to take affirmative action in the form of checking the lists. At the other end are the ACLU and whatever organizations follow its lead in withdrawing from the federal campaign. In between are the foundations that are now requiring compliance from their grantees, as seen in the following examples collected by the ACLU:

**Ford Foundation:** *By countersigning this grant letter, you agree that your organization will not promote or engage in violence, terrorism, bigotry or the destruction of any State, nor will it make subgrants to any entity that engages in these activities.*

**Rockefeller Foundation:** *In accepting these funds, you certify that your organization does not directly or indirectly engage in, promote, or support other organizations or individuals who engage in or promise terrorism activity. [no countersignature required]*

Similar language appears in grant letters from MacArthur, CS Mott and other foundations. The ACLU has refused to countersign the Ford Foundation’s letter but has acknowledged that Ford has the right to decide for itself to whom it wishes to give a grant and with what conditions. The issues presented are fundamental to our liberties and complex beyond this space and my abilities to deal with them. The media will certainly be full of commentary on the situation as it unfolds, and one can anticipate that the voices on the Fox network will be different from those on a more independent path. For those who want to delve more deeply, there will be the legal briefs and the analytic articles that will pepper the philanthropic press and academic journals (for embedded in much of the complexity inherent in this situation is academic freedom itself and, heaven help us, ultimately the possibility of the kind of shameful controversy about loyalty oaths that besmirched the academy in the 1950s).

At least 12 organizations, including OMB Watch, are plaintiffs along with the ACLU in the suit challenging the CFC’s requirements. The board of the National Committee for Responsive Philanthropy voted to “publicly show support for the ACLU suit,” and I do not know how many other organizations will do the same. While all this is going on, the U.S. Congress has before it various proposals that would affect the organization, activities, tax status and reporting requirements of what we currently refer to as the nonprofit charitable tax-exempt philanthropic sector. Apparently NCRP, the Council on Foundations, and Independent Sector have differing opinions on the multivariate issues to be legislated; the issue for this article is how such new legislation may handle the manifest implications of terrorism and the fear of terrorism reflected in the paragraphs above.

So the barriers set forth for the Combined Federal Campaign and the ACLU’s suit claiming they are unconstitutional are merely part of a larger tapestry. I do not think I am the only one who is worried about how fears of terrorism (as revealed in this controversy), intrusions into our
Many of the most visible and politically active nonprofit organizations in the United States are classified by the Internal Revenue Service (IRS) as 501(c)(4) social welfare groups. The National Rifle Association (NRA), National Organization for Women (NOW), American Civil Liberties Union (ACLU) and Sierra Club, for example, are high-profile 501(c)(4) organizations that are active participants in the nation’s public policy process. They lobby for and against legislation, get issues on policymakers’ radar screens, and educate and mobilize the public around election time, with 2004 being no exception.

Foundations should consider providing support to their 501(c)(3) charitable grantees to help these groups develop the institutional expertise required to establish and manage—legally and effectively—affiliated 501(c)(4) organizations. Providing support would help grantees work toward effecting long-term systemic changes that would assist in fighting the root causes of the social, economic and political problems besetting their constituents.

According to the IRS, “To be considered operated exclusively for the promotion of social welfare, an organization must operate primarily to further (in some way) the common good and general welfare of the people of the community (such as by bringing about civic betterment and social improvements).” Many organizations that fail to receive 501(c)(3) charitable status—because, for example, their program focus is too narrow or they are explicitly political—are granted 501(c)(4) status. According to data from the National Center for Charitable Statistics, there are 120,000 501(c)(4) organizations on file with the IRS, compared with nearly 1 million 501(c)(3) groups. Additional data from the National Center for Charitable Statistics suggest that 501(c)(4) organizations rely on membership dues and other individual contributions for a large part of their budgets. PoliticalMoneyLine.com tracks the activities of about 300 politically active 501(c)(4) organizations and reports that these organizations earned $1.7 billion in income in 2003.

Although many 501(c)(4) organizations are politically active—nonprofit sector researchers often refer to them as “social advocacy organizations”—it is important to remember that most are decidedly apolitical and are merely given 501(c)(4) status because they don’t easily fit into another nonprofit category. For example, 501(c)(4)s include the following varied groups:

- Over the Hill Soccer League,
- Jersey Devils Fastpitch Softball Team,
- Georgia Amateur Wrestling Association,
- Beavercreek Popcorn Festival Corporation,
- Lumberjack World Championships Foundation,
- Ballroom Latin and Swing Social Dance Association,
- United States Open Sandcastle Committee, and
- Valley Stock Tractor Pullers Association.

Unlike 501(c)(3) charities, 501(c)(4) organizations cannot offer their donors the ability to make tax-deductible donations, and they generally do not receive foundation grants. As a trade-off, these social welfare organizations can engage in unlimited lobbying activities, while charities may only do an insubstantial amount of lobbying. Similarly, charities are barred from doing any kind of direct electoral work, but 501(c)(4) groups can encourage their “members” to support particular candidates for public office. The definition of “member” is fairly broad and open to legal interpretation—by both the IRS and the Federal Election Commission (FEC)—with some organizations purportedly counting visitors to their Web sites as members.

Although charities must restrict the amount of lobbying they do, they are permitted to engage without limit in a wide range of other kinds of advocacy activities that do not fall under the IRS’s definition of lobbying, such as public education, writing op-eds on general issues of concern, holding community forums, etc.

Many savvy and well-financed 501(c)(3) and 501(c)(4) organizations know how to adapt to tax laws and regulations that prevent them from engaging in unlimited lobbying and limited electoral work or receiving tax-deductible and
Since foundations of all shapes and sizes are fond of trumpeting the invaluable ‘technical assistance’ that their program staffs provide to grantees, they should consider providing the kinds of assistance that can be used to establish a 501(c)(4) organization.

One of the most visible and active 501(c)(4) organizations is MoveOn.org, which builds grassroots and financial support for progressive political ideas and candidates for public office. MoveOn.org has its own PAC, the MoveOn PAC, which was heavily engaged in the 2004 elections. Billionaires Peter Lewis and George Soros have given MoveOn.org and MoveOn PAC millions of dollars in donations.

Americans for the Arts, a 501(c)(3) charity that has the broad mission of advancing the arts in America by “representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts,” recently established a 501(c)(4) organization called the Americans for the Arts Action Fund. In 2002, Ruth Lilly—the pharmaceutical heiress—gave Americans for the Arts $120 million. Part of this donation is being used to support the fund’s work.

According to a press release from Americans for the Arts, there is a need to connect citizens to lawmakers around the issue of government funding for the arts. The Action Fund will allow the organization to make these connections, through an extensive grassroots organizing and mobilizing effort. The Action Fund also plans to issue a report card on policymakers’ voting records for arts funding support. It hopes to reverse the trend of declining federal and state government financial support for arts programs in communities and the public education system.

National organizations that consist of a social welfare organization, an affiliated charity and a PAC have the best of all worlds—they can engage in unlimited lobbying, financially support candidates for public office, receive foundation grants, and offer donors the ability to make tax-deductible gifts. Although it’s not difficult to set up these hybrid organizations, a degree of legal and accounting expertise is necessary. And an organization’s legal and accounting expertise is highly dependent upon its budget—the better financed an organization is, the more likely it is to have the counsel needed to establish affiliated organizations and run them effectively and legally—consider that Americans for the Arts was able to establish a 501(c)(4) thanks to Ruth Lilly’s multimillion-dollar gift. Further, many smaller charitable organizations might be daunted by the paperwork required to establish a complex structure, or fear that if they run afoul of tax laws (by becoming too involved with a politically active organization, for example), they will lose their coveted 501(c)(3) status.

In fact, most charities are so afraid of losing their tax status that they don’t engage in any type of lobbying at all—even though tax laws clearly state that they may do so up to certain spending limits. Many nonprofits prefer not to stray from their primary service-delivery programs, either for fear of losing their tax-exempt status or because of a desire to dedicate all of their resources directly to their constituencies. But if organizations want to effect permanent, systemic changes, they need to also be prepared to advocate—including by direct and grassroots lobbying—for their causes and constituencies.

Since foundations of all shapes and sizes are fond of trumpeting the invaluable “technical assistance” that their program staffs provide to grantees, they should consider providing the kinds of assistance that can be used to establish a 501(c)(4) organization.
Feel-good stories about charitable generosity abound during the holiday season, including tabulations of the altruistic behavior of the nation’s wealthiest business titans. This year, as in the recent past, Bill and Melinda Gates top the list of the nation’s most munificent benefactors for the nonprofit sector and people in need, having pledged over $10 billion of their massive wealth to charity between 2000 and 2004.

Other well-known names on the list of “the 50 most generous philanthropists” published annually by BusinessWeek include finance wizard Warren Buffett (number 3), Microsoft’s co-founder Paul Allen (9), eBay’s Jeffrey Skoll (16) and Pierre and Pam Omidyar (18), Big Apple Mayor Michael Bloomberg (13), Home Depot cofounders Bernard Marcus (14) and Arthur Blank (35), and television’s Oprah Winfrey (40).

While the willingness of these magnates to part with some of their discretionary capital ostensibly for the benefit of society merits praise, a little perspective is in order. There’s no debate that the charitable giving of the super wealthy dwarfs the assets, not just the charitable donations, of the rest of the U.S. population. The wealthiest 6.5 percent of Americans account for approximately half of all charitable giving. Households with incomes over $1 million account for more than 20 percent of individual charitable donations.

However, the wealthy are not quite as generous as their control of the nation’s assets. The top 1 percent of the nation control 41 percent of household wealth, but generate only 33 percent of charitable donations. This shouldn’t be a surprise. NewTithing’s Claude Rosenberg has been making this case for years, this past year pointing out that charitable giving would have jumped by $41.6 billion if tax filers earning between $200,000 and $10,000,000 contributed as generously as their lower income peers.

If the wealthy are somewhat less charitable than their wealth might indicate, who are the wealth-disproportionate charitable givers? The data indicates that working people, the nation’s middle class are generous beyond their asset wealth, giving to charity frequently without the incentive of tax deductions—because so many of them are nonitemizers on their federal taxes.

A report from the President’s Council of Economic Advisors four years ago revealed that the bottom quintile of households with a positive net worth gives 6 percent of income and 13 percent of wealth toward charity annually. The other four-fifths of the population hovers around the 1 percent mark against both measures. In the past decade, working people have been economically squeezed by rising out-of-pocket health costs, depressed real wages, escalating college tuition and fees, and an array of other pressures, but they give to charity. Even when the big donors and endowed foundations shrunk their giving in the wake of the post 9/11 stock market downturn, middle class givers stepped up to the plate.

The BusinessWeek list omits the sad truth that many of the wealthy could use a healthy dose of benevolence. For example, for the ultra-wealthy estates subject to the estate tax, nearly 4 out of 5 leave nothing to charity. Despite conservative political contentions that the rich give to charity simply because of altruistic motivations, research from the Urban Institutes suggests that the permanent repeal of the estate tax, a conservative political flashpoint, will result in a loss of as much as 37 percent of charitable bequests and another 12 percent of annual charitable giving.

While the amazing wealth of people like Bill Gates and Peter Allen probably makes the question of taxes irrelevant as a motivating factor behind their giving, for most of the wealthy, tax incentives—the ability to take donations off of taxable income, the ability to make tax-free charitable bequests—are undeniably important. For that reason, it is noteworthy that BusinessWeek list residents such as Warren Buffett and George Soros are vocal opponents of the Bush Administration’s estate tax repeal agenda, recognizing the importance of tax incentives even to the ultra-wealthy. Remember that no less than Bill Gates, Sr. is a national leader in the effort to save the estate tax.

The motivations of the nation’s top givers are a
A fuller picture of the distribution of disposable wealth by the nation's business magnates includes not simply their direct charitable giving and their investments in their family foundations. For many of the BusinessWeek moguls, they also control the charitable giving of their corporations' philanthropic wings, often distributing charity with more explicit business self-interest than their more selfless-looking personal or familial donations. In addition, of course, many of these people are major donors to politicians, political parties, and political action committees (PACs) themselves and through their corporate offices. The combination of personal philanthropy, corporate philanthropy, and political contributions constitute a murkier picture and more complex picture of some of these tycoons than their gimlet-eyed holiday season charitable hagiographies.

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Indeed, the Green Belt Movement has a long history with varied sources of funding. Project support grants usually fund the GBM tree planting or civic education programs... Infrastructure funds and in-kind contributions enable the organization to carry on its daily activities... Advocacy/awareness funds publicize the organization and its social and economic justice initiatives.

The Green Belt Movement: Sharing the Prize for Peace

"The Prize for Peace" continued from page 1

GBM Thrives on Varied Sources of Funding

He emphasizes the need for: (1) core operating support, (2) long-term sources of funding rather than short-term grants that support causes only when they are popular, (3) donors who do not set nonprofit agendas, and (4) donors who are more interested in salient mission statements than financial reporting and program evaluations.

So how does the Green Belt Movement exist?

Before its founder won the Nobel Peace Prize, little was known about the Green Belt Movement. As Dr. Maathai notes in her book, The Green Belt Movement: Sharing the Approach and the Experience, “Unlike many other organizations in Africa, it [GBM] is not a branch of a foreign NGO but an indigenous initiative, registered and headquartered in Nairobi.” Because GBM is an independent entity, it falls under the radar screen for the few funders interested in supporting indigenous social justice movements abroad.

Indeed, the Green Belt Movement has a long history with varied sources of funding. In 1974, the organization existed as Envirocare Ltd., a company created to hire unemployed Kenyans of the Lang’ata province to plant trees. Envirocare was funded with Maathai’s own money. Later as Save the Land Harambee, the organization became a pet project of a few funders, who provided small donations. Now as GBM, the organization has five notable funding streams and various funders that offer specific types of support.

Project support grants usually fund the GBM tree planting or civic education programs rather than the organization as a whole. The United Nations Fund for Women, for example, has supported GBM tree-planting projects. The Open Society Institute, Commission on Global Governance, National Endowment for Democracy, Earth Love Fund, Norwegian People’s Aid and Heinrich Böll Foundation all fund GBM civic engagement programs. And the United Nations Environment Programme and the U.K.-based Comic Relief make specific project support grants to the GBM Pan-African Training Workshops.

Infrastructure funds and in-kind contributions enable the organization to carry on its daily activities. These grants are integral to the survival of GBM. The organization has had a history of being...
expelled from office space when its advocacy initiatives for land conservation were in opposition to the business interests of Kenyan government officials who wanted to exploit lucrative land resources. Oxfam Netherlands, Steven Rockefeller of the Rockefeller Foundation, and Joshua Mailman of the Sirius Business Corporation in New York City all made donations for the organization’s new headquarters in Kilimani, Nairobi. Another facility at Lang’ata, which serves as a training center, was erected with donations from the government of Austria through CARE-Austria. Renovations to office space were carried on with the support of Tudor Trust of London.

Advocacy/awareness funds publicize the organization and its social and economic justice initiatives. The African Development Foundation and others have funded documentary films about the movement. Maathai’s book, which documents the strategies of GBM and its development in Kenya and expansion to the United States, was made possible with the funds from specific individual donors.

In order to diversify its funding streams and not be completely dependent on foundation grants, GBM strategically added a for-profit arm to its activities—the Green Belt Safaris, which brings in revenue through cultural tourism.

A few key funders have contributed vital core support to the organization. These donors make contributions to be used at the discretion of GBM management. We had the opportunity to speak with Anna Lappé, who co-manages the Small Planet Fund with her mother, Francis Moore Lappé. Small Planet Fund makes core support grants via a donor-advised fund handled by the Marion Institute. Anna Lappé, a grant-maker who used to be on the receiving end of nonprofit grantmaking, understands the daily struggles of operating a nonprofit organization. From her experiences in nonprofits, she views core operating support as the most necessary type of funding, but the most difficult to attain. For that reason, the Small Planet Fund offers core operating support to GBM and other global social justice movements.

Insights from a Social Justice Funder: Give them what they Need and ask Just Enough Questions

Small Planet Fund is a new and indeed small operation that runs on the volunteer efforts of Lappé and her mother. Subsequently, all grants made are small—usually less than $10,000 per organization per year. Because of the small awards, Lappé does not require extensive program evaluations or documentation from her grantees. She feels that most importantly, social justice advocates must act out their missions. Extensive documentation of expenditures for small grants would take valuable time away from GBM staff.

Lappé’s grantmaking strategies at the Small Planet Fund offer noteworthy insights for funding social justice organizations. First, core operating support is an integral component of the nonprofit funding stream that foundations should acknowledge. Second, though nonprofit accountability is important, it is possible for documentation to become excessive. If the cost in staff time of program evaluations and tracing grant dollars closely rivals the total amount of a grant, perhaps there should be more informal, less costly mechanisms of measuring efficiency. Third, the Lappé team at Small Planet Fund proves itself to be a group of funders who educate themselves on the various organizations that meet their mission and funding requirements. Small Planet Fund found out about Maathai and other international social justice advocates through vigorous academic research in preparation for a book that was to be written by Francis Moore Lappé. In the process of researching international social justice movements, the Lappés discovered several exciting projects, including GBM, and began raising funds to support them. This brings us to the final noteworthy grantmaking strategy revealed in our discussion with Anna Lappé.

Though Small Planet Fund operates on minimal resources and its future is uncertain, the grants made to social justice nonprofits are intended to support a few well-researched organizations for the long run. Lappé hopes that with additional fundraising, she will be able to grow the group’s endowment. Lappé seems to
be concerned not with fashionable funding but with making changes through sustained, reliable support. All donors interested in impacting social justice movements could learn a few lessons from this small but well-executed grant-making initiative.

Advancing Social Justice Research

Though NCRP usually concentrates its efforts on research and policy affecting the American nonprofit sector, a recent request from an NCRP partner and supporter of the Green Belt Movement inspired a case study of this social and environmental justice organization abroad. NCRP is committed to studying domestic social justice movements and conducting research that will educate the foundation world and greater nonprofit community on the indispensable activities and subsequent needs of these organizations. Nonprofit advocates for social justice take on deep-seated systemic issues, incorporating service delivery and negotiating public policy in their work. Because advocacy is such a large component of their day-to-day operations, social justice groups require liberal core operating support to navigate between their policy and service delivery responsibilities.

Omolara Fatiregun is the senior research associate for NCRP. Mira Gupta is a former research assistant for NCRP.

501(c) (4) Organizations

In the policy process is a responsibility to which foundations should give more serious thought and consideration. Providing technical assistance that really matters—related to advocacy, lobbying and political representation—is a good place to start.

Notes
1. Organizations should consult attorneys for specific legal advice. 501(c)(4) organizations are governed by both FEC and IRS regulations which can sometimes be competing and confusing. Recently, the FEC has threatened to limit the activities of 501(c)(4)s in an effort to increase campaign finance regulation.
2. The IRS defines “lobbying” as a specific activity that ultimately involves urging lawmakers to take specific positions on specific pieces of legislation. See the IRS’S instructions for Schedule A (Form 990 or 990-EZ) at http://www.irs.gov/pub/irs-03/i990sa.pdf.

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