

The Time Is Ripe for Philanthropy to Renew Its Commitment to Rural America

By Rachael Swierzewski

In a speech to the Council on Foundations in the spring of 2006, Sen. Max Baucus (D-Mont.) called on the nation's foundations to review their giving portfolios and to double their rural grantmaking within the next five years. Seldom, if ever, has a national politician posed such a challenge to the philanthropic community.



Highway 50 sign framed by verdant field-set barn, rural stop just outside of California along route of road running through center of country.

While rural issues are not first and foremost on the minds of most foundations, those on the ground know the story well: Foundation giving is largely absent in the rural scene.

The Big Sky Institute for the Advancement of Nonprofits (BSI) in Montana used 2000 Foundation Center data to measure the extent of this problem as it applies to individual states as asset holders and grant recipients. BSI found that nationwide, the 10 states that had the least assets and received some of the fewest foundation per capita dollars were primarily rural states with no major cities and coined these the “philan-

thropic divide states”. The report revealed that while states like New York received \$211.56 per capita foundation giving, states like Montana received only \$12.50 per capita.¹

The philanthropic divide runs alongside other boundaries, as well. Even in a densely populated state like California—only second to New York

in terms of philanthropic wealth—rural counties have largely been underserved by philanthropy. Yet, the abundance of statewide wealth in California has long disguised the lack of philanthropic assets in and funding to its rural communities. In a recent report by the James Irvine Foundation, California’s Bay Area (including San Francisco and Santa Clara counties) in 2003 received \$250 per capita foundation giving, whereas the rural North Coast and North State Region received \$48 per capita.²

So why aren’t more foundations engaged in strategic grantmaking to rural places? *(continued on page 13)*

IN THIS EDITION

The Time is Ripe for Philanthropy to Renew its Commitment to Rural America	1
A New Chapter for NCRP	2
An Agenda for Change	5
SPOTLIGHT – David R. Jones: NCRP’s Board Chair Discusses Current Issues Facing the Sector	9

A New Chapter for NCRP

Dear Friends, Supporters,
Members, and Critics of NCRP,

I consider it an honor and a privilege to be writing to you as NCRP's new executive director, only the third in the organization's history. Robert Bothwell and Rick Cohen, NCRP's directors during its first 30 years, helped NCRP become the nation's premier philanthropic watchdog organization—one that advocates for accountability, transparency, and responsiveness so that organized philanthropy will benefit the disadvantaged and those in greatest need. I am grateful for their invaluable contributions to this important organization, and I am excited to build on the solid foundation they left in place.

We are now poised for a new chapter in NCRP's history, and much is at stake. There are nearly \$1 trillion in charitable assets controlled by the nation's major foundations and other philanthropic institutions. These tax-exempt resources are meant to serve a public purpose. If marshaled effectively and responsively, the nation's vast philanthropic assets will reinvigorate and help ensure the ongoing success of our democracy and will address some of this country's glaring and urgent social needs. If marshaled ineffectively or unresponsively, those resources will do little to meet the needs of people and communities and will simply deprive the public of criti-



Aaron Dorfman with his mentor, the late Senator Paul Wellstone (D-Minn.), looking on from a framed photograph. Wellstone inspired Dorfman to pursue grassroots advocacy.

cal tax dollars that could have been used to address pressing issues.

I come to NCRP after spending the past 15 years as a community organizer, leading grassroots efforts in the urban areas of Minneapolis/St. Paul and Miami. I became a community organizer because I fundamentally believe in people. Everybody matters, and everybody has something to contribute to solving the problems of his or her community. Nonprofit organizations, especially grassroots organizations, are vehicles through which many Americans like you and me contribute richly to the social fabric of our democracy.

Like many people who work in the nonprofit sector, I was strongly influenced by family. My family shaped my

Responsive Philanthropy is the quarterly journal of the National Committee for Responsive Philanthropy

2007, Issue No. 1
Yearly subscription: \$25
(free to members)
ISBN: 1065-0008



NCRP STAFF

Aaron Dorfman	Executive Director
Kevin Faria	Development Director
Kristina C. Moore	Communications Associate
Andrea M. Parke	Director of Finance & Administration
Margaret Picard	Administrative Assistant
Rachael Swierzewski	Research Consultant, Rural Philanthropy Project

core values and played a large role in my decision to dedicate my life to nonprofit work. From an early age, my family instilled in me a commitment to fairness and justice, motivated by love. My mother, Carrie, is an ordained minister who served for many years as the chaplain at the women's prison in Minnesota. My father, Tom, was a public school teacher who served as president of the local teachers' union for several years. When I was 6 years old, I remember helping make picket signs in our garage because he was preparing to lead the union on a strike for better wages. My father also headed the local chapter of Amnesty International and took regular trips to local Native American Indian reservations to assist with various projects. I was raised with a vision for a better world and with a recognition that we all have to do our part to bring that world into existence. In more recent years, my partnership with my wife, Geneen D. Massey, has strengthened and sustained my work while my faith has become a major source of inspiration for my efforts to bring about a more just society.

I think most people who become notable leaders in the nonprofit sector or who are strong voices for fairness and justice in this country also had mentors who profoundly influenced their lives. For me, that mentor was the late Senator Paul Wellstone (D-Minn.), whose life and works still inspire me today. It was he who, as a professor at Carleton College, educated, inspired, and ultimately challenged me in front of my peers to become a community organizer.

Readers of *Responsive Philanthropy* may also be interested in how I think the work of NCRP fits into the context of the current needs of nonprofits. There is incredible work being done by grassroots nonprofits in thousands of urban and rural communities throughout the United States. In our society, these organizations are the places where people without power and privilege give voice to their hopes and dreams, develop new skills, find assistance when there is

nowhere else to turn, and help shape our democratic discussions. Most of these nonprofit organizations are starving for funding—they don't even come close to having the resources they need to effectively carry out their missions. This is why NCRP is so important.

The work of grassroots nonprofits is consistently underfunded by foundations. While there are a handful of foundations that provide extensive funding to grassroots organizations, my observation is that most funders prefer to make "safer" grants that fund services rather than grants that fund efforts to overcome the reasons those services are needed in the first place. Decision makers at too many of our nation's grantmaking institutions are completely isolated from the day-to-day challenges faced by poor and working class families in this country. For too long, leaders of philanthropic organizations have believed they know best what poor people need, and they have not listened to or have not truly heard the voices emanating from the nonprofits whose constituencies struggle from paycheck to paycheck.

Many foundations claim they want to serve the public good by addressing the issues affecting disadvantaged communities. Yet they often employ grantmaking strategies that undermine the effectiveness of the

These tax-exempt resources are meant to serve a public purpose. If marshaled effectively and responsively, the nation's vast philanthropic assets will reinvigorate and help ensure the ongoing success of our democracy and will address some of this country's glaring and urgent social needs.

organizations they rely on to achieve their goals. NCRP recently released *A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking*, a report through which nonprofit leaders are able to share stories—in their own words—about how the lack of core operating support is crippling their effectiveness.



A Call to Action: Organizing to Increase the Effectiveness and Impact of Foundation Grantmaking

by Rick Cohen
March 2007

This report features commentaries from over 120 nonprofits to illustrate the need to transform traditional foundation grantmaking strategies.

DOWNLOAD FOR FREE AT WWW.NCRP.ORG
Hard copies of *A Call to Action* are available to NCRP members for \$5 (\$10 for nonmembers).

To become a member, complete and return the form on page 11, or visit our website, www.ncrp.org.

Having led grassroots organizations, I can attest to the brutal truth told in *A Call To Action*. The most significant organizational accomplishments from my work with People Acting for Community Together in Miami were never funded with a single project grant from a foundation. Those accomplishments were paid for with funding that was cobbled together from the few general support grants we did receive and from dues paid by members. Don't get me wrong; project funding is important. But without stable core operating support, grassroots organizations lack the ability to effectively address many of the most pressing issues facing their communities.

If you haven't seen it already, please take the time to visit the NCRP Web site (www.ncrp.org), where you can download a free copy of *A Call to Action*. The stories make a compelling case for why foundations must increase their general support grantmaking if they hope to unleash the full power of the very nonprofit organizations that help them achieve their philanthropic purpose.

In the coming months, NCRP will also issue several other reports that will address important philanthropic issues. Watch for our work examining the impact of recent bank mega-mergers on charitable giving, for an extensive examination of rural philanthropy, and for a report looking at how conservative foundations are influencing the debate on education issues.

And don't miss the terrific pieces in this edition of *Responsive Philanthropy*. Rachael Swierzewski previews her findings on rural philanthropy; Rick Cohen lays out a policy agenda for the 110th Congress; and NCRP's chairman of the Board, David R. Jones, shares his compelling thoughts regarding the most pressing issues facing nonprofits and foundations.

In the months ahead, as I get settled into this new position, I will be working with NCRP's staff and Board of Directors to create a strategic plan for the organization that will build on its solid history. In this process, a new vision for NCRP will emerge; we will combine that new vision with sharp strategic focus and disciplined action to help us achieve our mission of making organized philanthropy more responsive to the needs of low-income and disadvantaged populations, and more accountable to the public at large. So stay tuned. This is just the opening page of a new chapter in NCRP's history. I can't wait to see what will happen next.

Sincerely,

Aaron Dorfman
Executive Director, NCRP

An Agenda for Change

By Rick Cohen

President Bush found a way of wrapping charity and philanthropy into his 2007 State of the Union address this past January. Talking about the strength, generosity, and self-sacrifice of Americans, the president recognized the backup center of the NBA's Houston Rockets, Dikembe Mutombo, for his charitable generosity toward his homeland, the Democratic Republic of the Congo. Mutombo has personally dedicated more than half the cost of a new 300-bed hospital in the country's capital, Kinshasa.

In this instance, the president was right. The Dikembe Mutombo Foundation¹ appears to be a stellar philanthropic institution, raising money from a variety of individual and corporate donors to add to the millions Mutombo himself had donated toward the hospital's construction.

But that was largely it. The speech lacked the usual feints toward the roles of nonprofits and the importance of stimulating more charitable giving through federal programs such as AmeriCorps or the faith-based Compassion Capital program. Actually, there was a surprise mention of quasi-volunteerism—a call to establish a “Civilian Reserve Corps” designed to “ease the burden on the Armed Forces by allowing us to hire civilians with critical skills to serve on missions abroad when America needs them.” It is a kind of AmeriCorps for “first responders,”² an idea in discussion at the State Department for the past couple of years in response to international conflicts like Iraq, but with origins going back to President Clinton's plans for U.S. participation in U.N. peacekeeping and reconstruction programs.³

Where in the State of the Union were the rhetorical flourishes and policy initiatives to support America's third sector? The *National Journal's* pre-State of the Union review counted “charity” as one of the 10 major areas of success of the Bush administration, citing increases in the rate of charitable giving and volunteerism during President Bush's White House watch.⁴ Charitable giving may be truly up, based on overall per-capita giving—abetted by the announcements of humongous gifts from billionaires like Warren Buffett—but few nonprofits are anywhere near so satisfied with the conditions they face every day. The lacunas embedded in the State of the Union may add up to part of a framework for a nonprofit policy agenda in 2007.

Hurricane Katrina: House Speaker Nancy Pelosi pointed out the omission of any mention of Hurricane Katrina in the president's address.⁵ Aside from the ongoing debacle of American policy in Iraq, the performance of FEMA on the federal side and several large charities, such as the American Red Cross, have sparked serious questions about how this nation, including foundations and nonprofits, mobilize resources to deal with disaster. Despite some foundation investments to help with the reconstruction of the Gulf Coast—notably the Rockefeller Foundation's \$3.5 million grant to the Unified New Orleans Plan, the Kellogg Foundation's major commitment to groups in rural Louisiana such as the Southern Mutual Help Association,⁶ and the Knight Foundation's support for redevelopment planning in Mississippi—local indigenous nonprofits have been grumbling that they have seen and benefited from relatively little of the philanthropic largesse flowing into the region.

One of the major themes of the upcoming Council on Foundations conference is a re-examination of foundation roles in disaster relief and recovery. Given the continuing devastation of the region, visible to anyone who has looked at the Lower Ninth Ward in New Orleans more than a year after the hurricane, nonprofits ought to make their voices heard, making the case that rebuilding the infrastructure of local nonprofits merits as much support as donors and funders offer to the big national charities.

Poverty: Among the guests in Speaker Pelosi's box were two family members of 9/11 victims, but no one represent-



Photo by Chip Somodevilla/Getty Images

U.S. Speaker of the House of Representatives Nancy Pelosi (D-Calif.) and Senate Majority Leader Harry Reid (D-Nev.) lead the 110th Congress.

ing the thousands of Katrina victims—most of whom are people of color, low-income, and living in some of the nation’s most distressed inner cities and rural communities. The U.S. is still a nation characterized by not only the persistence of poverty but also a growing divide between the rich, who are growing richer all the time,⁷ and the poor.

We could use someone like Michael Harrington, whose 1962 book, *The Other America*, galvanized the attention of political leaders in the Kennedy administration and nonprofits to the problems of persistent, structural poverty in the United States. But the times are changing. The House Ways and Means Committee just held a full-committee hearing to lay out its agenda for the calendar year, addressing the “economic and societal

Republicans to the eager-to-lead Democrats. Among those in the parade were miscreants like Jack Abramoff and Michael Scanlon, whose misbehavior included playing fast and loose—and illegally—with nonprofits, foundations, and lobbyists. The staff of then-ranking minority member of the Senate Finance Committee, Max Baucus (D-Mont.), released a report on the nonprofit implications of Abramoff’s misuse and abuse of charity and philanthropy⁹; the report also contained recommendations for the reform of 501(c)(3) and (c)(4) organizations, all still waiting for a legislative vehicle for their consideration. Similarly unenacted were a bevy of charitable governance reforms by then-committee Chairman Charles Grassley (R-Iowa), since only a small portion of the committee’s S.2020 bill finally made it into the Pension Protection Act of 2006.

Congress’ appetite for more legislation on charitable accountability is hard to predict, given the transition from Grassley to Baucus at Senate Finance and from Bill Thomas (R-Calif.) to Charlie Rangel (D-N.Y.) at the House Ways and Means Committee.

Grassley and Thomas had both taken aim at nonprofit hospitals, and Grassley has started to explore universities for exactly how egalitarian and charitable these nonprofits possessing sometimes mammoth tax exempt endowments might actually be.¹⁰ The drumbeat among nonprofits in the wake of the elections has been a full-court press in favor of self-regulation and against more government intervention, notably the self-regulation platform released for public discussion by Independent Sector’s Nonprofit Panel¹¹ and the consistently anti-regulatory commentary in the *Nonprofit Congress* report produced by the National Council of Nonprofit Associations.¹²

Regardless of the drumbeat for self-regulation, whose history of success regarding accountability has been limited and dubious in the for-profit as well as nonprofit spheres,¹³ there are opportunities for reviving public attention to critical issues of charitable accountability left undone. The pension bill expressly called on the Secretary of the Treasury to examine whether and what should be mandatory payout rates for donor-advised funds (DAF) and supporting organizations. The bill gives the nonprofit sector an opportunity to revive debate concerning what the payout should be for tax-exempt endowments. The 5 percent private foundation spending

The freshman class of Congress brings a potentially new and invigorating lens to the issues and controversies facing the nonprofit sector in 2007, though these members will only focus on these issues so long as they hear nonprofit voices.

costs of poverty”⁸ and featuring NCRP’s board chair, David R. Jones of New York City’s Community Service Society, who presented expert testimony.

Like its concern for disaster relief, the Council on Foundations has made the role of foundations in addressing poverty one of its upcoming programmatic themes. If nonprofits on the receiving end do not join the discussion, the results could devolve into piles of self-promotional press releases describing foundations’ anti-poverty initiatives. Nonprofits might ask questions that some foundations would want to avoid: How much of the nation’s \$33 billion in annual grantmaking addresses issues of domestic poverty? How much reaches the nonprofits on the front lines of tackling poverty in their local communities? How much support is given toward advocacy and policy change rather than solely service delivery? How should foundations deploy their funds to help eradicate urban and rural poverty? What strategies really do work from the perspective of the nonprofits that have to deliver the goods?

Accountability: The parade of political figures getting a taste of “perp walks” toward indictments and sentences the past few years may have been part of the motivation behind the nation shifting its support from the sitting

rate does not apply to public foundations, DAFs, or supporting organizations. Given the past year of record stock market returns—and foundations tend to do better in the market than the average stock-picking citizen—there ought to be an opportunity for nonprofits to tell Secretary Henry Paulson that vast reserves of unutilized tax-exempt wealth in foundation and university coffers do not help our society grapple with the critical issues of the day.

That being said, there are numerous other issues that have yet to get the level of nonprofit policy attention they deserve, including restrictions on the abhorrent practice of five- and six-figure fees to foundation trustees, the still inadequate protections against abundant loopholes for philanthropic self-dealing, the reluctance of both parties to call for enhanced corporate philanthropic disclosure, and the persistent unwillingness of Congress and the nonprofit sector to dedicate the private foundation excise tax—which is over half a trillion dollars a year—to pay for IRS and state government charitable accountability oversight and enforcement. It would be unfortunate to let the pension bill—a desperate effort by the Senate Finance Committee to find a vehicle to get a modicum of

charitable accountability improvements passed—close the door on public awareness of and attention to accountability and probity in the nonprofit sector.

Notwithstanding the lack of movement on many issues of charitable and foundation accountability, there might be a new wind discernable in Congress. The No. 2 Democrat in the House of Representatives is Steny Hoyer (D-Md.), who in the 1980s was among the leaders against various congressional attempts to restrict nonprofits to service delivery. Confronting the efforts of the Reagan administration, Hoyer solidified the participation of advocacy and social change nonprofits in the Combined Federal Campaign (CFC) with legislation in 1986¹⁴ that has not been contravened to this day.

Equally or perhaps more important may be the nonprofit bona fides of some of the incoming members of the 110th Congress elected this past November. Vermont's Peter Welch helped create the Vermont Housing and Land Conservation Trust Fund, a model resource for nonprofit housing developers. Kentucky's John Yarmouth founded the Center for Kentucky Progress, a state-level policy think tank promoting progressive strategies for social

Resource Generation, in partnership with NCRP, presents...

Creating Change Through Family Philanthropy: The Next Generation

By Alison Goldberg, Karen Pittelman & Resource Generation

Soft Skull Press, 2007 \$24.95

Many families are looking for ways to engage the “next generation” in philanthropy. But for next generation members, getting involved raises complicated questions. How can they bring their values to the table? How can they move more resources to social justice? *Creating Change Through Family Philanthropy* gives young people the tools they need to not just participate but help transform the field itself. Complete with personal stories and exercises, this guide is also an essential resource for anyone who works with families with wealth.

ALSO AVAILABLE:

Classified: How To Stop Hiding Your Privilege and Use It For Social Change

By Karen Pittelman & Resource Generation

Illustrations by Molly Hein

**For more information
and to order books, visit
www.changephilanthropy.org**



Resource Generation
www.resourcegeneration.org
info@resourcegeneration.org

change. In Pennsylvania, Jason Altmire comes to Congress having served on the board of the Manchester-Bidwell Development Trust, associated with one of the nation's standout entrepreneurial nonprofits run by MacArthur "genius award" winner Bill Strickland. Several come to Congress with experience as public defenders,

President Bush would have had a hard time missing all 7 feet, 2 inches of Dikembe Mutombo, a veritable pillar of selfless generosity. Unfortunately, the White House, Congress, and much of the nonprofit sector have yet to grasp, much less successfully emulate, the meaning of Mutombo's philanthropy: Mutombo's foundation does not hoard its assets—it mobilizes its capital; it directs its capital toward the intersection of poverty and health in ways that other philanthropists might well study and emulate; and it is as public and transparent a philanthropic institution as there is, much like its founder

and benefactor, who has long been known as one of the honest "good guys" in the NBA and in all of sports. Would our government and our sector stand as tall as Dikembe Mutombo on behalf of philanthropy's role in social justice?

Regardless of the drumbeat for self-regulation, whose history of success regarding accountability has been limited and dubious in the for-profit as well as nonprofit spheres, there are opportunities for reviving public attention to critical issues of charitable accountability left undone.

law clinic workers, legal services attorneys, and ACLU activists, bringing with them an awareness, one might expect, of the importance of charitable fundraising that supplements, not substitutes for, federal funds in these crucially important nonprofits. The freshman class of Congress brings a potentially new and invigorating lens to the issues and controversies facing the nonprofit sector in 2007, though these members will only focus on these issues so long as they hear nonprofit voices.

Rick Cohen is the former executive director of the National Committee for Responsive Philanthropy. He is national correspondent for The Nonprofit Quarterly.

NOTES

1. <http://www.dmf.org/index2.html>.
2. Sally B. Donnelly, "Iraq Rebuilding Blunders", *Time* (February 27, 2006).
3. *The Clinton Administration's Policy on Reforming Multilateral Peace Operations*, <http://clinton4.nara.gov/WH/EOP/NSC/html/documents/NSCDOC1.html> (May 1994).
4. Neil Munro, "Successes: The Generous American," *National Journal* (January 19, 2007).
5. "Pelosi Criticizes Katrina Omission During Bush Speech", *Congress Daily AM* (January 25, 2007).
6. Kellogg had awarded over \$36 million to the region as of mid-2006 (cf. http://www.wkcf.org/DesktopModules/WKCF.00_DmaSupport/ViewDoc.aspx?LanguageID=0&CID=6&ListID=28&ItemID=5000226&fld=PDFFile).
7. John Maggs, "Inequality; Yes, the Rich Are Getting Richer," *National Journal* (January 20, 2007).
8. <http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=508>.
9. *Minority Staff Report: Investigation of Jack Abramoff's Use of Tax-Exempt Organizations* (U.S. Senate Finance Committee, October 2006).
10. Cf. the Senate Finance Committee's December 5, 2006, hearing titled "Report Card on Tax Exemptions and Incentives for Higher

- Education: Pass, Fail, or Need Improvement?" (<http://www.senate.gov/~finance/sitepages/hearing120506.htm>).
11. "Draft Principles for Self-Regulation" (http://www.nonprofitpanel.org/self-reg/index_html); IS did largely endorse most of the Senate Finance Committee's charitable accountability insertions in the pension bill and in the preceding Committee bill, but self-regulation has long been on the Nonprofit Panel's agenda to pursue.
12. The Nonprofit Law Blog perceptively noted that all of the mentions of regulation in NCNA's Nonprofit Congress briefing book, *Voices from the Field* (NCNA: 2006), were generally negative compared to an overwhelming preference for self-regulation (cf. http://www.nonprofitlawblog.com/home/2006/10/nonprofit_congr.html). The final report of the Nonprofit Congress is similar, rarely venturing into issues of regulation, and generally only to propose self-regulation as the answer to the "threat" of government "overregulation" (cf. *Deliberations, Decisions & Planning*, pp. 22 and 24).
13. Cf. Rick Cohen, "The Accountability Toolbox", *Responsive Philanthropy* (Spring 2005); also Rick Cohen, *Building Solid Foundations: New Approaches to Substantive Philanthropic Accountability* (NCRP: December 2006).
14. "History of Charitable Fundraising Within the Federal Service" (http://www.opm.gov/cfc/html/cfc_hist.asp).

David R. Jones:

NCRP's Board Chair Discusses Current Issues Facing the Sector

David R. Jones is president and chief executive officer of the Community Service Society (CSS) of New York, a leading nonprofit organization that uses research, advocacy, technical assistance and volunteerism to tackle urban poverty in New York City. Under Mr. Jones' leadership, CSS established The Unheard Third, the nation's only annual public opinion survey that documents the concerns and issues faced by low-income communities.

Mr. Jones has been chairman of NCRP's Board of Directors since 2005. He is a leading figure in New York's nonprofit sector and a vocal advocate for anti-poverty and economic advancement causes. In January 2007, he testified before members of the House Committee on Ways and Means to reinvigorate efforts to assist the poor, citing problems related to education, joblessness and poor working conditions affecting low-income New Yorkers, especially people of color.

NCRP communications associate Kristina C. Moore interviewed Mr. Jones about current issues and challenges facing NCRP and the broader philanthropic community.

NCRP: How did you become involved with NCRP?

David R. Jones: Before becoming directly involved with NCRP, I had already known about the organization and had talked to Pablo [Eisenberg] and Rick [Cohen]. We started collaborating in 1999 when my organization was in litigation with our local community trust over donor intent. NCRP, along with a number of other organizations, submitted an amicus brief on our behalf.

I also had been interested in many of the issues NCRP was taking on. During that time, I had already raised concerns, both in articles and forums, about the fairness in philanthropic giving, particularly in support of groups dealing with poverty and those led by black and Latino executives. I had also addressed philanthropic trade association groups on the issue of the lack of black and Latino membership, especially in the foundation sector.

NCRP: What is the primary issue in the philanthropic sector you are most concerned about?

DJ: My foremost concern in the field of philanthropy—and I have been pretty public about it—is the lack of accountability. I have worked in the private sector—I was a corporate lawyer for some years; I have worked in government; and I have been the chair of a for-profit institution. I have never seen a sector that has less ability for external forces to really motivate it to change.

I think this sector needs to be brought under some political pressure. There is no accountability to the public despite the fact that we are using the tax code and public resources to underwrite these grantmaking institutions. If the situation does not change, I think it is going to continue to go off the rails. Everything these institutions do have to be subjected to overt public scrutiny and not some sort of secret process.

NCRP: What other issues would you like to see addressed?

DJ: What we describe as “not-for-profits,” at least in the large urban areas I have seen, should not really be called “not-for-profits” anymore. And it is not because they are making money, but because they have become what is essentially “subcontractors” for government.

In New York City at least, there is an attitude that it is great to off-load social programs to the nonprofit sector because you can eliminate these programs with virtually no political backlash. As a government entity, I can say that to improve the quality of foster care or other social service, we have to ask a number of nonprofit providers to take on these programs. But when the next budgetary



Photo by Laurent Allier

David R. Jones, President and CEO of Community Service Society of New York, and chairman of NCRP's Board of Directors

crisis comes along and I “de-fund” these programs, the public hardly notices what happens. If questioned, I can say they were not running very effectively.

about trying to have programmatic grantmaking take place that they also forestall any kind of advocacy efforts within nonprofit organizations. Funders are not sure if the nonprofits can actually deliver, so they micromanage their grantees. They do not provide support for infrastructure that would make

I have never seen a sector that has less ability for external forces to really motivate it to change.

NCRP: Do you think there is an increasing trend toward this sort of off-loading of government-run social services to the hands of nonprofit organizations?

DJ: There is no question. New York has been transformed. Under Mayor Rudy Giuliani and other conservative efforts, that process has been accelerated. We are being sold the notion that nonprofits do it so much better than large bureaucracies like government.

When I was growing up in central Brooklyn, the nonprofits that did exist were on the frontlines of advocacy. Many of the programs that challenged discrimination and brought mass motion into the movement were really generated within the growing nonprofit sector. Nowadays, if you look at virtually all grassroots organizations dealing in the social service or direct service sector, most—if not all—of their money is government money. That means the notion of them being effective advocates has been compromised.

Nonprofit advocacy might be supported at the grassroots level if foundations were willing to provide general support to these organizations. Unfortunately, [foundations] are just as obsessive

these organizations work better or for opportunities to engage in advocacy so they can get more resources to do what they are doing well.

I think these are the two challenges—the off-loading of government services and the diminishing nonprofit advocacy—that we are seeing on the ground. When I talk to my peers from other institutions at other major cities, it is clear that they are witnessing the same pattern.

NCRP: Has philanthropy become more responsive to the needs of disenfranchised members of our communities?

DJ: Here in New York, we say we want to have vigorous nonprofit organizations, particularly those serving poor neighborhoods with credibility. But more and more funding is being directed to large institutions that are not at all representative of poor communities—racially or in terms of understanding those communities. By wiping out the groups that were led primarily by black and Latinos on the grassroots level during the Giuliani years, more money is coursed through larger nonprofits that virtually have no representation of poor communities on their

boards or leadership. Right or wrong, nonprofit boards—especially those of midsized and large organizations—are increasingly major donor driven. These major-donor-driven boards have virtually no connection with the poor or racial minorities.

NCRP: So they’ve lost touch with their own constituencies.

DJ: They were never in touch to begin with. The buy-in rate in the board of directors in many of the country’s major organizations



The Community Service Society (CSS) seeks to improve housing conditions and opportunities for low income New Yorkers.

HELP IMPROVE PHILANTHROPY – JOIN OR RENEW WITH NCRP TODAY!

As a member you will receive benefits including:

- > Four issues of NCRP's quarterly, *Responsive Philanthropy*. Find news and perspectives on the philanthropic sector 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.
- > Publication discounts. Receive one free publication with membership and 50% discounts on future purchases of NCRP's groundbreaking publications. Our most updated publications list can be found at ncrp.org.
- > E-mail news releases and action alerts. Keep abreast of our work with our twice monthly e-mail newsletter, NCRP in the News, and get up-to-the-minute developments with e-mail news releases and action alerts.

JOIN ONLINE at ncrp.org OR FILL OUT AND RETURN THIS FORM!

Individual Member \$50 (suggested) Other \$ _____ Organizational Member \$250 (suggested) Other \$ _____ Foundation Member \$2,500 (suggested) Other \$ _____

Name _____

Title _____ Organization _____

Address _____

City _____ State _____ Zip _____

E-mail _____ Publication (free with membership) _____

I would like to pay by:

Check or Money Order (made out to NCRP) or Credit Card (please check one) VISA MasterCard AmEx

Card Number _____ Exp. Date _____

To join NCRP, visit us online at www.ncrp.org, or complete this form and mail it with your check, money order, or credit card information to: NCRP, 2001 S Street, NW, Suite 620, Washington, DC 20009. For more information, call us at (202) 387-9177, or fax (202) 332-5084. NCRP is a 501(c)(3) nonprofit organization.

sometimes goes for about a quarter of a million dollars or more. That means you have individuals whose notion of wealth is staggering; there is a chasm between them and people from poor communities like South Bronx or Brownsville. We have a group of very wealthy people who don't even have an echo of memory of the Great Depression. Previous generations could at least remember how their parents or grandparents had to struggle through great economic turmoil.

This affects how a foundation identifies a "need," the kinds of programs it adopts, and the beneficiaries of these programs. I have seen one board direct their major fundraising effort to making sure more private school students took advantage of nonprofit funding. Clearly, they see the "disadvantaged" as people like them of great wealth. This is not really the kind of philanthropy any of us envisioned when the tax code was originally put forward. Sadly, there is an increase in this kind of "philanthropy."

NCRP: Is there reason to be optimistic about efforts to reform the philanthropic sector?

DJ: I think interest in reforming the philanthropic sector peaks from crisis to crisis. When the public discovers some sort of abuse, everyone scurries around to put Band-Aids on the situation. But when the public's and the press' attention turns elsewhere, I think people tend not to want scrutiny over what they do—they want to have complete discretion, such as how they spend their grants and the perks given to key staff or allies. That is why we need to be vigilant. That is why we need NCRP and similar institutions.

We have to engage the public, the press, Congress, state legislatures, and the attorneys-general to be constantly on top of abuses in philanthropy. Like weeds, the situation can quickly grow out of hand if not kept in check. This sector cannot cloak itself with the sense that just because we are doing God's work, we should not be subjected to

careful scrutiny. Forcing transparency and accountability is a perpetual task for organizations like NCRP.

NCRP: As a member of NCRP's board since 1999, and more recently as its chairman, how have you seen the direction of NCRP progress?

DJ: I think the danger is that there is so much to do that we tend to overreach in a dozen different directions at once. It is just like being a kid in a candy store—there is a plethora of abuse to choose from; you can pick anything and spend years trying to fix it. The tendency is to go for everything. For an organization with such limited size and budget, this approach might not produce the kind of long-term reforms that need to be brought to the system.

NCRP: How do you envision NCRP moving forward?

DJ: I think we need to do a lot more strategic assessment. With the new leadership, we have an opportunity to reassess how to get the biggest bang for the buck, given NCRP's limited resources and the lack of understanding among our various constituencies about where this lack of oversight is leading the whole sector and the country.

We have a group of very wealthy people who don't even have an echo of memory of the Great Depression. Previous generations could at least remember how their parents or grandparents had to struggle through great economic turmoil.

NCRP: NCRP has had many successes since it was founded in 1976, from successfully preventing or pushing the passage of a particular legislation to releasing seminal reports that have contributed to reform. Could you share three accomplishments that, in your mind, rise above the others?

DJ: There are many. One is our earlier work regarding the United Way, which provided a road map for reform in workplace giving. Another important work is how we have tackled the issue of foundation payout. [Rick Cohen's] eagle eye over how politicians misused the philanthropic sector to pursue political gains will

undoubtedly have long-term impacts.

NCRP is in a field that has no dissent. And that is crazy! What we do have is primarily a trade association (and maybe that is an unfair characterization)—a sector leadership that is risk-averse and who don't want government oversight. When a crisis occurs, it tries to paper it over. NCRP is often the only group willing to be quoted in criticism of the sector.

This organization has done great research, but sometimes it boils down to its willingness to stand up against the weight of the entire sector while everyone else is afraid to say anything. It is one of the vital reasons why I have invested the time to continue NCRP's work.

NCRP: What do you think is your role, and that of the board's, in implementing NCRP's mission?

DJ: Ultimately, I see my role as board chairman as less about policy. I have definite ideas about who does the real work. The NCRP board has some brilliant people on it, but ultimately it is members of NCRP's staff who have to do the actual work.

I see the board as having the following important roles: the establishment of an effective organizational structure, financial and governance oversight, providing the staff with the ammunition and resources they need to effectively do the job, and setting up a mechanism to guide the executive director on the annual implementation of the organization's strategic direction. This is how I see the board as most appropriately utilized, particularly one that has so many people spread all over the country.

It takes board discipline and constant reinforcement of the strategic plan to refrain its members from engaging in the actual policy work, especially when there is a new issue that suddenly catches the public's attention. The danger of overreaching is very real, especially for an institution that barely cracks a million dollars and has few reserves.

I think this particular board has made real strides over the last 18 months. The leadership transition had been both a challenge and an opportunity to assess NCRP's contributions and determine what we hope to accomplish in the future.

Funding Rural America

(continued from page 1)

Some suggest that skewed or outdated perceptions of rural America, coupled with low visibility in mainstream media, deter foundations from considering rural candidates. And because the majority of large foundations are located in major cities, foundation boards may not be attuned to the realities of rural life.

In an opinion poll sponsored by the Kellogg Foundation in 2001,³ those interviewed still identified agriculture as being the cornerstone of the rural econo-

institutions that provide credit and capital. The public sector, despite some recent efforts to support rural community and economic development, has been traditionally slow in responding to rural needs despite the long history of rural poverty in many parts of this country.

Channeling Wealth to Rural Communities

In spite of decades of disinvestment, however, some private foundations, intermediaries, and rural groups through innovation and persistence have made notable strides in forming effective partnerships, proving once again that collaboration is key to community rebuilding.

Grantmakers like the

W.K. Kellogg Foundation, the Ford Foundation, the Northwest Area Foundation, the Lilly Endowment, and the Mary Reynolds Babcock Foundation have demonstrated over the past few decades that private foundations can be instrumental partners in building nonprofit capacity in small, rural

By listening to different perspectives, we can better understand the unmet needs of rural groups on the ground, including the lack of capacity building and technical assistance opportunities ...

my, and many used adjectives like “hard-working” and “self-sufficient” to describe rural people, perhaps implying that there is little need or want for philanthropic involvement in rural areas.

The rural picture, however, is complex and changing. Despite what many still think, farming accounts for a small percentage of the rural workforce. According to the Economic Research Service (ERS), in 2005, 4.4 percent of rural jobs were in farming, fishing, and forestry; the remaining 95.6 percent of jobs were in the professional, service, sales, construction, extraction, and other blue-collar fields.⁴ And although “hard-working” and “self-sufficient” may describe rural people well, economic forces such as deregulation and privatization have left many rural communities depressed.

According to ERS, 340 of the nation’s 384 persistently poor counties in 2000 were nonmetro,⁵ meaning that these counties have experienced poverty levels over 20 percent in the past three decennial censuses.

Poverty persists and deepens in these areas most often because rural communities are isolated from the commerce and infrastructure of urban centers, and many of the industries that were once available have faded, having been consolidated, modernized, or exported. And because the business sector is not typically drawn to fragmented populations of rural regions, rural residents often have no access to high-paying job opportunities, leaving them few alternatives to very low-paying service and sales jobs. They are also cut off from health care resources, utilities, broadband infrastructure, and traditional financial



Farming accounts for only a small percentage of the rural workforce.

communities. They show that effective grantmaking to rural places means a willingness to both plant organizations and to grow them.

One such example is the Lilly Endowment's successful five-phase community foundation building program called "GIFT" (Giving Indiana Funds for Tomorrow). Motivated by a belief that communities need to shape their own destinies, the Lilly Endowment offered matching gifts to each participating foundation or affiliate to help build their unrestricted funds, illustrating that community foundations with regional alliances can make excellent intermediary partners for rural giving. To date, all counties in Indiana, about half of which are nonmetro, have their own community foundation or affiliate fund.

Over a decade ago, the El Paso Community Foundation realized the need for an intermediary institution for the underserved areas of El Paso County, Texas, to build the capacity of local community development corporations. Partnering with the Ford Foundation, the community foundation estab-

lished the El Paso Collaborative for Community and Economic Development, a collaboration of local foundations, private businesses, financial institutions, utility companies, governmental institutions, and nonprofits to serve the needs of low-income families along the Texas-Mexico border, many of which are

... Only 184 of the 65,000 or so active grantmaking foundations in 2001 and 2002 made grants that the Foundation Center classified as "rural development" grants and only 306 foundations registered as grantmakers that used the term "rural" in their grant descriptions.

rural *colonia* residents. In 2000, the collaborative was certified as a Community Development Financial Institution (CDFI) to administer a Revolving Loan Fund in the region to make direct loans to *colonia* residents for infrastructure installation, such as potable water and septic systems.

The dramatic increase in the number of CDFIs like the El Paso Collaborative within the past decade suggest that a promising partnership is emerging between the public and private sectors to meet the growing needs of rural areas. CDFIs offer distressed communities microenterprise loans, affordable housing and community facilities loans, and equity and management assistance to small businesses. Although CDFIs, which receive a large part of their funding from the United States Department of the Treasury, serve both urban and rural communities, CDFIs have played a particularly important role in rural communities that have little access to loans through traditional financial sources. And because CDFIs are encouraged to leverage funds from private sources, including local businesses, private foundations, and individ-



Even densely populated states like California see most of its philanthropic dollars concentrated in major cities such as San Francisco (above) and Los Angeles.

uals, these focused efforts can be all-inclusive community reinvestment ventures.

Unfortunately, there are relatively few foundations that have heard these success stories and responded by joining these funders to support rural causes. In 2004, the National Committee for Responsive Philanthropy (NCRP) found that only 184 of the 65,000 or so active grantmaking foundations in 2001 and 2002 made grants that the Foundation Center classified as “rural development” grants and only 306 foundations registered as grantmakers that used the term “rural” in their grant descriptions.⁶

Looking Ahead

Before we can ask funders to devote more resources in support of rural communities, we need to first convince them that there is a need. To echo the call of Senator Baucus, the philanthropic community needs to be educated on the needs of rural populations and reminded that there are rural grantmaking models that work, despite the obstacles.

In addition to educating grantmakers, more efforts are warranted to research and survey local groups and collaboratives that work within rural communities in various underserved rural regions. By listening to different perspectives, we can better understand the unmet needs of rural groups on the ground, including the lack of capacity building and technical assistance opportunities; we can better understand their knowledge of, and experience with, regional intermediary organizations and foundations; and we can better understand what specific challenges they face in creating and sustaining statewide and regional coalitions for leveraging foundation funds. Surely these shared attitudes, experiences, and recommen-

dations must lay the foundation for any successful strategy aimed at elevating effective and worthwhile rural philanthropy.

NCRP has been pursuing an important rural development philanthropy project over the past year that aims to get more philanthropic funds into the hands of rural people and places. In addition to researching rural philanthropy issues, NCRP will be convening focus groups in rural areas in five states in February, March, and April 2007. These areas will include eastern Kentucky, southern Miami-Dade county in Florida, western Texas’ border with Mexico, Montana, and northern California. NCRP will be using these focus groups to discuss various strategies that both rural nonprofits and foundations can promote to increase philanthropy in rural places.

Rachael Swierzewski is a research consultant for NCRP’s rural philanthropy project.

NOTES

1. *The Philanthropic Divide*, the Big Sky Institute for the Advancement of Nonprofits, July 2001, <http://www.endowmontana.org/pdf/PhilanthropicDivid.pdf>.
2. *Foundation Giving in California: A Snapshot of Overall Giving, Asset Distribution and Regional Disparities Among Private and Community Foundations*, the James Irvine Foundation, November 2006, http://www.irvine.org/assets/pdf/pubs/philanthropy/Foundation_Giving_in_California.pdf. According to the report the North Coast and North State Region includes the counties of Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Siskiyou, and Trinity.
3. *Perceptions of Rural America*, W.K. Kellogg Foundation, <http://www.wkkf.org/pubs/FoodRur/pub2973.pdf>.
4. Rural Employment at a Glance, Economic Research Service, December 2006, www.ers.usda.gov/publications/eib21/eib21.pdf.
5. Rural and Nometro are used interchangeably in this article, as are urban and metro.
6. *Beyond City Limits: The Philanthropic Needs of Rural America*, the National Committee for Responsive Philanthropy, May 2004.

WE WELCOME HEARING FROM OUR READERS!

Tell us what you think about the articles in this and previous issues of *Responsive Philanthropy* or send your suggestions for topics you’d like us to tackle in future issues. Send them to: Kristina Moore, NCRP, 2001 S Street NW, Suite 620, Washington, D.C. 20009. Or send them by e-mail to readers@ncrp.org.

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.

Building Solid Foundations: New Approaches to Substantive Philanthropic Accountability (Revised Edition, December 2006)

This report provides practical solutions that foundations, government, and nonprofits can implement together to improve the effectiveness of philanthropy. It answers the questions: What is the substantive value of philanthropy? To whom are foundations substantially accountable?

Forthcoming Publications

Rural Development Philanthropy

NCRP is examining ways to help improve and strengthen philanthropy in rural regions across the United States. Our goals are to identify foundation best practices for rural grantmaking, and to encourage foundation support for rural development programs. A report will be published in summer 2007.

visit: www.ncrp.org/publications

NCRP Board of Directors

Christine Ahn	Korea Policy Institute
Marilyn Aguire-Molina	Mailman School of Public Health, Columbia University
Andrea Alexander	Chinook Wind Enterprises
Dave Beckwith	Needmor Fund
Lana Cowell	National Alliance for Choice in Giving (NCRP Board Secretary)
Louis Delgado	
Richard Farias	Tejano Center for Community Concerns
Diane Feeney	French American Charitable Trust
Deborah Felder	Maine Initiatives
Marjorie Fine	Expanding Resources for Community Organizing, Center for Community Change
Bookda Gheisar	Social Justice Fund Northwest
Cynthia Guyer	Portland Schools Foundation
Judy Hatcher	Environmental Support Center
David R. Jones	Community Service Society (NCRP Board Chair)
Rhoda Karpatkin	Consumers Union (NCRP Board Treasurer)
Larry Kressley	(NCRP Board Vice Chair)
Pete Manzo	The Advancement Project
Nadia Moritz	The Young Women's Project
Russell Roybal	National Gay and Lesbian Task Force
Gary Snyder	Nonprofit Management Group
Helen Vinton	Southern Mutual Help Association
Jodi Williams	Community Solutions Fund
Emeritus	
Paul Castro	Jewish Family Service of Los Angeles
John Echohawk	Native American Rights Fund
Pablo Eisenberg	Public Policy Institute, Georgetown University
Terry Odendahl	New Mexico Association of Grantmakers



national committee for
responsive philanthropy

2001 S Street NW • Suite 620 • Washington, DC 20009

Address Service Requested