

S P O T L I G H T

## Luz Vega-Marquis

### Marguerite Casey Foundation Executive Talks About Bringing Families into the Forefront of a National Campaign for Change

By Kristina C. Moore

*On September 6, more than 15,000 families participated in the Equal Voice for America's Families National Family Convention, a culminating event of a campaign by the Marguerite Casey Foundation to bring the voice of America's families into the national discussion on issues affecting them.*

*NCRP communications director Kristina C. Moore interviewed by e-mail the Marguerite Casey Foundation president and CEO Luz Vega-Marquis about the campaign and the foundation's continuing support for advocacy and community organizing.*

**NCRP:** What was the motivation behind the *Equal Voice for America's Families* campaign? Why is it important for Marguerite Casey Foundation to take on this issue?

**Luz Vega-Marquis:** The *Equal Voice for America's Families* campaign is the actualization of Marguerite Casey Foundation's mission to nurture a movement of low-wealth families who can advocate in their own behalf. We believe that *change is possible*, but only if family voices are at the forefront. We also recognized early on that a successful family-led movement would require communities and organizations to work across regions, issues and ethnic lines.

The foundation embarked on the campaign not only to solidify a base of family constituents but to demonstrate that foundations can engage in and support movement building effectively. Over a year's time, more than



Photo: Brian Murphy

*Marguerite Casey Foundation president and CEO Luz Vega-Marquis and Birmingham emcee Greg Hodge excite the crowd.*

30,000 families participated in 65 *Equal Voice for America's Families* town hall meetings and a culminating national convention. During that year, families developed a national family platform that creates across-the-board policies to address family issues. On September 6, 2008, in Birmingham, Los Angeles and Chicago, families called on the nation to adopt that platform.

We understand that foundations alone cannot nurture a movement. Foundations can, however, as Marguerite Casey Foundation does, use grantmaking dollars to invest in cornerstone organizations that support family leaders and advocate collective action to solve universal issues. For that reason, it was critical (continued on page 13)

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# When Taking Risks Pays Off

By Cecilia Laiché

*The following case study shared by The California Wellness Foundation of its core operating support grants to the University Muslim Medical Association Clinic over a period of time illustrates how this type of grantmaking can assist a nonprofit organization to respond effectively to changing circumstances while continuing to pursue its mission.*

News and research reports detail the pressures nonprofits face to raise funds and stay on solid fiscal ground—especially during tough economic times. Community clinics, for example, provide health care services for the uninsured and other vulnerable populations, but—like the people they serve—the clinics are vulnerable, too. A sagging economy, state and federal budget shortfalls, diminished foundation assets, unpredictable individual giving and service demands that exceed organizational capacity all contribute to the roller coaster ride of a safety net clinic's life.

How can foundations support and strengthen community clinics so that health services are there for those who have nowhere else to turn?

“For our Foundation, an important answer is: providing core operating support,” said Gary L. Yates, president and CEO of The California Wellness Foundation. “Our grants have buffered clinics during tough economic times and allowed them to pursue plans to solidify infrastructure and keep needed services available.”

## A CASE STUDY

University Muslim Medical Association Clinic (UMMA), located in South Los Angeles—a medically underserved,<sup>1</sup> densely populated community with



Staff of the University Muslim Medical Association Clinic.

high unemployment and poverty rates—provides high quality health care services to community members, regardless of religious affiliation or ability to pay. UMMA also serves as a training facility for new physi-

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cians, medical students, nurses and allied health professionals.

“I remember well our first California Wellness grant because it was the first foundation grant we ever received,” said Yasser Aman, then clinic manager and now president and CEO of UMMA. “It allowed us to focus on fundraising and develop long-term plans to diversify our revenue sources. It also gave us the ‘credentials’ to attract more foundation funding.”

When TCWF awarded that first core support grant to UMMA in December 2000, UMMA was in the process of becoming independent from Charles R. Drew University, which served as its fiscal sponsor. By the end of the \$80,000 (over two years) core support grant period, UMMA had become independent of the University and had made substantial progress toward solidifying its organizational infrastructure and finances. It had become a licensed community clinic by the California State Department of Health Services, and was a qualified Family-Pact<sup>2</sup> provider. It gained access to several other state and county health revenue streams, and secured several major grants from private foundations. UMMA also expanded its service capacity.

“With limited sources of revenue and an annual budget of only \$528,000 at the grant’s start, there certainly was some risk involved in making that grant to UMMA,” Yates said. “But the organization’s leaders knew where they needed to take the clinic. The core support grant came at the right time to help get them there.”

UMMA continued to face challenges as the demand for health care services continued to grow among South Los Angeles’ uninsured and other underserved populations. The clinic also was facing the sunset of a major source of public revenue.

“We decided to ‘go for it’ and apply to become a Federally Qualified Health Center,<sup>3</sup>” said Aman.

With the attainment of Federally Qualified Health Center (FQHC) status, clinics receive annual federal core support grants that can range from \$100,000 to more than \$1 million to cover the costs of indigent care. They also gain access to a variety of other fed-

eral programs that help reduce their costs and strengthen their infrastructures. FQHC clinics also receive a much higher Medi-Cal<sup>4</sup> reimbursement than the standard rate.

“Supporting a clinic as it undergoes the difficult FQHC application process is a good example of how effective the core operating support strategy can be,” Yates said. “Our core support grants have been used to

## TIPS FOR FUNDERS TO CONSIDER IN PROVIDING CORE SUPPORT

### **SOME ORGANIZATIONS ARE NOT ACCUSTOMED TO CORE SUPPORT GRANTS.**

Core operating support proposals sometimes seem more like project grant applications. Because of this, it is wise to conduct a site visit to explain the purpose of core support and encourage a frank discussion about the organization’s challenges. This may lead to changing grant objectives to address organizational issues.

### **CORE OPERATING SUPPORT GRANTS CAN BE VERY HELPFUL IN ADDRESSING ORGANIZATIONAL PROBLEMS.**

The dilemma is that unless the organization has an existing relationship with the foundation, it may be difficult to get its leaders engaged in a candid discussion for fear of not getting a grant. The potential grantees may relax when the funder states that challenges are to be expected and that strengthening the organization’s ability to address challenges is a goal.

### **RISKY GRANT APPLICANTS CAN BE SUCCESSFUL.**

Grants to nonprofits that are facing financial difficulties or some other crisis can result in great returns. The real question is: does the organization have a plan to address the challenge? In these cases, consider using the core operating grant to support the plan or enable the organization to continue to provide its core services or pursue its central mission during the plan’s implementation.

hire consultants to prepare the complex application, hire medical personnel necessary to meet the FQHC programmatic requirements, and support the clinic's efforts to expand capacity so that they are able to serve the required number of medically indigent patients."

In September 2004, The California Wellness Foundation approved another core operating support grant to UMMA of \$200,000 over three years. Its annual operating budget had increased to \$785,700 and it was providing over 33,000 patient visits annually.

"After two [FQHC application] rejections, we decided to go for 'look-alike' status, which we got," Aman said. "That means we got the higher reimbursement but not the grant money."

Aman explained that one of the requirements to become fully FQHC-qualified is that 51 percent of the board of directors be patients of the clinic. This prompted an introspective discussion and an examination of the organization's values among the clinic's founders.

"The founders were medical students who created the clinic to serve a community in need," Aman said. "Many put aside their own professional plans to continue to work closely with the clinic. It was like a child to them, and I admire how they were able to rise above any ego in the interests of the clinic." Most of UMMA's founding board members remain involved with the clinic in an advisory board or volunteer capacity.

After four applications, UMMA earned its FQHC status. By the end of the three-year grant, the clinic's annual operating budget had grown to \$1.5 million. As a local county hospital was closing, UMMA was able to expand its clinical services to more than 65,000 patient visits a year by a total of 7,208 people. During the long process the clinic underwent to obtain FQHC status, the organization implemented many streamlined systems and managed to reduce patient waiting times. The organization surpassed every grant performance goal, including the provision of 2,680 hours of training to medical students and newly licensed physicians. ☺

*Cecilia Laiché is a communications officer at The California Wellness Foundation.*

## NOTES

1. The physician-to-population ratio for the community was less than 1:25,000.
2. California's family planning/reproductive health program.
3. Clinics eligible to become Federally Qualified Health Centers must provide care in a federally designated Medically Underserved Area or to a federally designated Medically Underserved Population. There also are multiple requirements for the standard of care.
4. Medi-Cal is California's Medicaid program.

## TIPS FOR NONPROFITS TO CONSIDER IN SEEKING CORE SUPPORT

### **MORE AND MORE FUNDERS ARE PROVIDING CORE SUPPORT.**

When seeking core support grants, consider the following: What does your organization really need that you find difficult to get money for? What do you need to strengthen your ability to pursue your mission effectively? This type of reflection can help you develop an application that is well-suited to core support.

### **FOSTER THE GOAL OF GOOD DIALOGUE ON A SITE VISIT.**

It is a chance to learn more about the funder's grantmaking goals and to share your organization's plans. Don't be afraid to articulate your path.

### **FUNDERS NEED TO KNOW THAT THERE IS A PLAN.**

Most funders are aware of the challenges facing the nonprofit sector, so don't be afraid to share what is going on—including the good thinking and planning your organization has done to address those challenges.

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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](mailto:readers@ncrp.org).

# Changing the World for All: A New Approach

By Niki Jagpal

Many people recently have discussed the relationship between “structural racism” and philanthropy. When a term is introduced into the public discourse, it is important to clarify the nuance it conveys. During a lengthy discussion in July 2008, Prof. John A. Powell,<sup>1</sup> a leading expert on this issue, noted his preference for the term “structural racialization” over “structural racism.” He said that when one uses the term “racism,” people are inclined to look for a person, i.e., a racist, but in “structural racialization,” you don’t need a racist to produce structural outcomes. Rather, he said, it’s our institutions that will produce racial hierarchy and racial inequality because these structures work, carry values, distribute resources and justice or injustice, and are in relationship with each other.

To illustrate, Prof. Powell shared the story of his son, who attended McGill University in Montreal, Canada. Even though he lived outside of Canada, it was cheaper to go to a good school there than in the U.S. That’s because of how the education system is *structured*: the way that our schools are funded produces different opportunities, based on race and class. If one has a lot of money, and is considered “smart,” then one can afford tens of thousands of dollars a year to go to school. If one does not have the financial resources, this isn’t possible.

“Blacks, Latinos and Native Americans are disproportionately poor,” said Prof. Powell during our discussion. “So we have a system that actually limits access, beyond financial restrictions. For example, things like the opportunity for children to go to a good K-12 school are related to where their parents live and how good the schools there are. So part of what you are looking at is the *relationship*.”

## SYSTEMS THEORY: FOCUSING ON RELATIONSHIPS

According to systems theory, wealth, income, race, space, education and labor are in relationship with each other and they work together. Focusing on the relationship often is more important than focusing on a single entity or action. When thinking about systems theory, it’s helpful to think about the opposite approach.



Prof. John A. Powell with NCRP research director Niki Jagpal.

“Our dominant mode of thinking is Newtonian: we think that there is a single cause and a predictable effect that is mechanical and unidirectional,” said Prof. Powell. “So A causes B, and B causes C. The knower, the observer, is largely unaffected by this so, in a sense, seems inert or neutral to these systems. There was a period of time when people thought that we eventually would know everything about the universe because it was a mechanical system. It also was based on the notion that if you see something really complex, you could break it down into its constituent parts and understand it, that the whole and the sum of its parts are exactly the same. This paradigm implied certainty.”

Systems thinking challenges this Newtonian notion; it says causation is mutual, reciprocal and cumulative. The knower or observer is part of the system and never will have complete knowledge. It’s not so much that the whole is greater than the sum of its parts. The whole is different than the sum of its parts. When we introduce something, we don’t know exactly how things are going to interact because systems adapt. The adaptation is in multiple directions. If we look at efforts to integrate schools and open up previously all-white schools to black and Latino children, we can ask: Did we anticipate white flight or how housing

affects schools? It may seem like a small step but it's a step that the Supreme Court stumbled over because it was analyzing school integration in isolation. Using a systems approach, we see the connectivity of different institutions and structures: funding, transportation, housing and schools, even our preferences and expectations all are interactive. So housing policy drives school policy and school policy drives housing policy and impacts our desires. In short, they are mutually constitutive and mutually-related.

#### FEEDBACK AND CHANGE

In a systems approach, we can see *feedback loops*—how the system is learning or reacting. *Negative feedback* means the system will try to absorb the impact of an intervention without really changing, it adapts. Returning to school integration, one could say that we've adapted to all of the interventions around school integration to keep schools relatively segregated and to keep white middle class children largely isolated from black, Latino and Asian children. Sometimes a small change can create big results or change the system itself, and that's *positive feedback*. For example, organizers tackling living wage issues are faced with mixed opportunities to make significant impact on employment policies. Often, we cannot predict the full impact of these efforts because labor policy is tied to other complex social issues. The outcome, therefore, can't be predetermined.

#### IT'S ABOUT EVERYTHING

Prof. powell stated that systems thinking is about everything, not just race or the environment or health. Increasingly, we live in a complex world. Consider globalization: what happens in China has a ripple effect in the United States. We didn't think that way fifty years ago (even if in reality, this always might have been the case.) We thought in terms of very discrete spaces and activities, and of control; the idea of *influence* largely was

ignored. Systems thinking, in part, is not just new information, but a new way of knowing and a new paradigm.

"I think philanthropy shouldn't care just about social justice but about the world," said Prof. powell. "What occurs in one place impacts the world and affects it in a different timeframe and in different ways."

Let's consider what happened in post-Katrina New Orleans. It had a huge impact on blacks living in Louisiana and Mississippi, and on the entire country. "And that's good news. In the extreme, racism denies this interconnectivity," said Prof. powell. "It says blacks are a different species than whites—as people said in the 19th century. So what happened to the 'other' was irrelevant to me. It's becoming increasingly obvious that this perspective is wrong."

Recent attempts by funders toward a more multi-issue perspective when taking on structural or systemic issues are a move in the right direction, but they also need a deep relational perspective. They need to look at the

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— Prof. john a. powell

connections and very deliberately support grantees that are in conscious relationship with each other.

Moreover, it's important to clarify the time frame of what it is that social justice work is trying to do. Some things can be done in a short time frame, within the structures of an existing system. Those usually are *transactional*. Others will take a much longer time frame because we're actually trying to create positive feedback to alter the whole system. That's *transformative* change. Because things are relational, there is no clear line between these interventions. If we engage in transformational interventions, we're not just trying to negotiate existing arrangements; we're trying to change the whole system. We're not just changing it for the target population; we're changing it for everybody.

### A NEW APPROACH FOR FOUNDATIONS

Systems thinking leads us to consider a new paradigm, one that is inclusive and moves all within our society toward better outcomes. “I use the term ‘inclusive’ in a robust way,” said Prof. Powell. “It’s not just including people in this already-existing paradigm. Maybe the most important form of inclusion is people being involved in the design and arrangement of systems that impact their lives. In a strong democracy, we all are ‘constitutionalists’; we’re constantly participating in making the future, creating and monitoring our institutions. So I have a voice, all communities have a voice. It’s not ‘this is my show or country and you can come as long as you behave yourself.’”

“Small problems hurt us by enticing us to see things as separate, while big problems are more likely to be seen relationally. ... It is important for foundations and communities not only to do multi-issue work, but to see issues in relationship.”

— Prof. John A. Powell

Some really great work is being done on systems thinking and structural racialization, and on framing<sup>2</sup> and cognitive science. These seemingly separate fields share the same belief that not only is the world different than we thought outside, it’s different than what we thought inside. The idea of a rational, singular, separate individual controlling his or her fate needs to be reevaluated because there’s just no evidence of that. That doesn’t mean that the individual goes away, but it means that how we think of the individual is very different. The individual does not stand outside or above the world but is a part of it.

Foundations need to be clear about what this relationship model means, the different time frames for creating transformational change as opposed to transactional change, and provide a supportive approach to the kind of change they aspire to create. “I don’t think that single-

issue work is dead, but its utility certainly is limited precisely because there are so many things in relationship with each other,” noted Prof. Powell.

A relationship approach implies thinking about coalitions, multi-issue groups, being aware of both the paradigm that we’re in and the one we’re moving toward. And when we talk about shifting paradigms, we’re talking about transformational change. It is not just tinkering with the existing arrangements but changing institutional arrangements.

“The only constant is change; but the nature of that change is quite important,” said Prof. Powell. “We celebrate or bemoan the fact that we are an increasingly diverse society. We know that probably by the middle of this century, there won’t be a racial majority in this country. This may or may not be true because racial categories themselves may change; but we don’t pay much attention to what that means, or how we can make our institutions reflect those values. In this country, 86 percent of us think we have integrated schools, but 86 percent of our children don’t

go to integrated schools.”

This implies that our values and institutional practices are out of alignment, and partly, it is attributable to the fact that we fail to recognize the work that institutions are doing and thus don’t hold anyone responsible. Justice requires that we arrange our institutions in an equitable way. To ensure greater alignment between our goals and values on both a personal and institutional level, we also need a more fluid, open concept of citizenship.<sup>3</sup>

Funders might assume that no one is responsible for the structures of schools and housing, which seem like too large a problem to tackle. Many of the problems that foundations are trying to solve are much too small. “Small problems hurt us by enticing us to see things as separate, while big problems are more likely to be seen relationally,” Prof. Powell observed. “It



is important for foundations and communities not only to do multi-issue work, but to see issues in relationship. And this is everywhere, so its application in terms of racial justice work is very instructive and very important.”

If we look at the social determinants of health, a systems approach says that only about two percent of our health inequality is directly related to seeing a doctor or a health care worker. Most of it is related to how we work, how we structure our communities, our lives. This relationship model needs to be fleshed out, experimented with, and it needs to be recorded. For foundations, that means what some call “patient granting,” recognizing the relationships among different institutions and structures, and different metrics for impact.

#### LESSONS FOR COMMUNITY ORGANIZERS

“I think that some organizers have been ahead of the game in terms of the importance of relationships; and so that’s something all of us can learn,” expressed Prof. powell. “A focus on relationships suggests we have to be careful not to think of issues or interests as given or static; both are shifting constantly, partly based on relationships. Organizers’ willingness to talk about power, especially for marginalized peoples, is quite important. It’s critical in systems thinking and structural racialization to realize that people are situated differently inside of existing structures, and much of what we call ‘interest’ is situational within structures.”

While organizers are more attuned to a systems approach, Prof. powell suggested that they too can learn much from adopting this explicitly as a framework. They sometimes assume, and often buy into, the individualistic model in which self-interest is too narrowly defined. We need a more sophisticated notion of interest. Sometimes, organizers don’t acknowledge that self-interest is one of the things that are affected by structured systems, so if you change structures, you change interests. “Changing structures isn’t enough; in fact, you never can just reflect interests; you’re actually influencing interests,” said Prof. powell.

Foundations, organizers and individuals need to understand that our self-identities and interests are complex. Institutions and cognitive frames help to call a par-

ticular self or interest forward. For example, the same person may have both racial hostility and racial resentment, and a strong tenet for racial equality. But which of those frames becomes dominant or operative depends on the institutional relationships at work in the moment and the specific circumstances that bring a particular frame to predominate. It doesn’t mean that people are completely malleable, but on many important things our interest isn’t singular.

“We need to look at the individual in terms of many different relationships to him/herself, many things in relationship to his/her community and to the larger community, not just in isolation,” said Prof. powell. “If we take this approach seriously, it affects how we see the world, how we experience ourselves, how we do our work, and helps move us to a truly inclusive paradigm.” This new paradigm is a powerful tool for foundations and grantees to work together strategically and deploy their resources to address injustice and strengthen democracy. ☺

*Niki Jagpal is research director at the National Committee for Responsive Philanthropy.*

#### NOTES

1. Prof. john a. powell is an internationally recognized authority on a wide range of issues including civil rights and civil liberties, race, structural racism, ethnicity, housing, poverty and democracy. He is executive director of the Kirwan Institute for the Study of Race and Ethnicity at The Ohio State University. He holds the Gregory H. Williams Chair in Civil Rights & Civil Liberties at the University’s Michael E. Moritz College of Law. He is a member of NCRP’s research advisory committee.
2. A simple way to think of cognitive frames is as a mental “filing system” that we all use to make sense of the world.
3. Prof. powell is working with Lani Guinier, Claude Steele and Susan Sturm on something called “democratic merit.” He noted that one of the reasons for public education in Jefferson’s mind was for people to become citizens. In his mind, you weren’t automatically a citizen by being born in America; you had to learn to become a citizen. He also said that our current public education system doesn’t really support democracy.

# In Their Own Words

## Foundation Trade Association CEOs Brief Their Members on Issues Inside the Beltway

By Aaron Dorfman

*In September 2008, Tim Walter, president and CEO of the Association of Small Foundations, and Steve Gunderson, president and CEO of the Council on Foundations, presented a session titled “Inside the Beltway: Legislative Update” at ASF’s National Conference in Denver, Colo. The session drew a large crowd that engaged the panelists and the audience in a lively conversation.*

*I thought that this session provided an interesting glimpse of how trade associations like the ASF and COF talk about government regulation, often focusing on protecting the interests of their members. Below are excerpts of Walter’s and Gunderson’s remarks at different points during the session, and the corresponding NCRP perspective, which focuses on protecting the interests of the public, of nonprofits and of underserved communities.*

### GOVERNMENT REGULATION OF PHILANTHROPY

**Gunderson:** I think we are ready for one of the most significant public policy discussions affecting our sector probably since 1969. ... There’s going to be a new administration, there’s going to be a new tax bill and I think that tax bill is going to come very soon.

...

**Walter:** The last few years of skirmishes, which have been about philosophy and making different foundations spend down and sort of left-right battles—that’s nothing like what we’re about to come up against, which is the federal government making a case for why the charitable sector is really being held under a microscope. .... Basically, the federal government is a starving wolverine and it’s going to try and eat anything in sight. We need to be aware that it isn’t about if you’re doing a good job or not, are you helping poor people or not, are you helping the right folks? This is just going to get down to money. It is a different game. You can be intellectually right, you can have the best studies to show that philanthropy is the most important tool for delivering social value in the country, but you’ve got to go up against the Senate Finance Committee and the Ways and Means staff, and their job is to get money to fund the federal government.

...

**Gunderson:** Senator Grassley is not against philanthropy. He’s against philanthropy that is used for personal gain. What we have to do is prove to the Senate Finance Committee, and prove to him, that those abuses in the field have been addressed. People have asked me,

“When are we going to get the next round of congressional regulation of philanthropy?” And I tell them, “You tell me when we’re going to get the next front page cover story on someone abusing their philanthropic trust for personal gain, and I’ll tell you when we’re going to get the next round of regulation.”

...

**Walter:** Democratic politicians generally view grantmaking and public policy often through [a lens that asks who benefits]. Are we supporting the opera or are we supporting youth arts in distressed schools? Who is benefitting from the charitable exemption? Are we supporting private schools for the wealthy or public schools for all income groups? This is the lens through which Democratic policymakers view their work in philanthropy. ...

The assembly bill at the state level [AB624 in California] actually is a preview of conversations that we expect to come out of Capitol Hill as well. ... There is an interest in who is getting the money, who are you helping? This is, plain and simple, a fact of “welcome to a democracy.” This is part of what we live in. You just have to recognize that is part of the game. It is a political game, it is democracy, and the government plays to the populous and they are the ultimate arbiters of who makes the laws. You have to get in the game.

...

**Gunderson:** What I am willing to make very clear, in where the Council is, is that in exchange for that tax exemption, we did make a commitment to use [our foundations’ dollars] for a charitable purpose, not for a per-

sonal purpose and not for a profit purpose. Now, that's all the law says, and we at the Council have been very clear: We will oppose any legislative mandate directing where and how philanthropic dollars will be used. At the same time, we are very active in encouraging our members to engage in voluntary leadership on issues of diversity and transparency. We take a hard line on legislative mandates—we're opposed to them. We take an equally active line on promoting voluntary activities.

...

**Walter:** I believe the federal government has the authority, and they have demonstrated the authority over the years, to say when they will partner with a philanthropist and when they will not. By you accepting tax exemptions, you have taken on the federal government as a partner. Granted, depending on the years of the tax breaks, when the tax exemption came in they may have been a majority partner or a minority partner, but they're in your tent and you've got to deal with it.

...

**Gunderson:** What happened in California is moving across the country so get ready. We know that there are investigations by Greenlining of grantmaking in New York, Illinois, Pennsylvania and Florida, and there may be a couple other states. We know this issue is going elsewhere, so be aware and be prepared.

...

**Gunderson:** Senator Baucus is an appropriate advocate for Montana. You've all heard of the technology divide; he talks about the philanthropic divide. I come from rural America and as you see, the Council has been very active in promoting philanthropy in rural areas. Where the senator and I disagree, and he knows this, he wants us to redistribute philanthropy and I don't support that. I want to grow philanthropy.

**NCRP comment:** *It's perfectly legitimate for elected officials*

## Upcoming Events

**October 27-29, 2008** *Cleveland, Ohio*

### **TRANSFORMING PHILANTHROPY: OGF ANNUAL CONFERENCE**

*Presented by the Ohio Grantmakers Forum*

NCRP executive director Aaron Dorfman will be presenting at the Tuesday sessions **Smart Philanthropy: Deliberations on Strategic Grantmaking** and **Exploring Grantmaker/Grantseeker Relationships**.

**November 7, 2008** *Naples, Fla.*

### **STRENGTHENING OUR FREE SOCIETY: 2008 ANNUAL CONFERENCE**

*Presented by the Philanthropy Roundtable*

NCRP executive director Aaron Dorfman will be in a debate with Heather Higgins, President of The Randolph Foundation, on **"Public Accountability for Private Foundations: What is the Role of Government in Policing Our Boardrooms?"**

**November 20-23, 2008** *Philadelphia, Pa.*

### **ARNOVA ANNUAL CONFERENCE**

*Presented by the Association for Research on Nonprofit Organizations and Voluntary Action*

NCRP's senior research associate Lisa Ranghelli will be presenting on the results of the Grantmaking for Community Impact Project in New Mexico and field director Melissa Johnson will discuss results of a recent study on new foundation strategies to improve society.

**A complete listing of events is available at [www.ncrp.org/events\\_calendar/index.asp](http://www.ncrp.org/events_calendar/index.asp).**

to ask who's benefiting from philanthropy. It's also legitimate and in the public interest for them to require certain disclosures. We agree that when a foundation accepts a tax exemption, it accepts the public and the government as partners. The alarmist reactions by foundations and their trade associations to AB624 were overblown. If we take redistribution of philanthropic dollars off the table, marginalized communities never will get their fair share, and our entire society will suffer as a result. Growing philanthropy is good, but foundations should make funding for underserved communities, broadly defined, a higher priority than they currently do. We applaud ASF and COF for the work they do to encourage their members to voluntarily do more to serve marginalized communities, and we hope they will expand those efforts. We also acknowledge that policymakers have a right to encourage voluntary action or to regulate foundations to help ensure that the public is benefiting sufficiently from philanthropy.

#### FOUNDATION LOBBYING

**Walter:** On your seats is a memo from Adler & Colvin, probably the top San Francisco law firm that deals with charities and foundations. In the course of AB624, the ASF public policy committee and I started brainstorming around restrictions against foundations lobbying on issues that were not technically self-defense issues. For instance, most of the ASF members could not call up their policymakers and complain about AB624 because the bill was only directed at foundations with \$250 million in assets and up. So if you're at \$20 million, how do you call your legislator and say: "This is a dumb idea. Fewer foundations will be funded in California. I don't care if it doesn't apply to my foundation; it's just a dumb idea." You weren't allowed to do that. We decided to really start pushing into this area a bit more. We pushed the law firm; we pushed and pushed them. Their fifth recommendation, which is in this memo, is that if you work for free for the foundation the penalty for lobbying is a tax on your expenditure. If you didn't spend any money on it, then there's no penalty. ... If you're doing it on your time or you're not paid, go nuts. Is that what the law says? I don't know. I want you to be a little careful, but there's your legal memo from Adler & Colvin.

**NCRP comment:** *This memo is an important new development. Foundations have been told they cannot lobby except in self defense, and that appears now not to be*

*true. Wouldn't it be great if foundations used the political clout of their trustees to lobby in this fashion in favor of poverty reduction efforts, or to support a legislative initiative of one of their grantees? ASF and COF have consistently encouraged their members to provide grants to support advocacy efforts by nonprofits. As a strong proponent of nonprofit advocacy, I hope that the trade associations will expand their efforts in this arena, but this legal opinion takes it a step further. While it is disappointing that this memo was commissioned for the purpose of helping foundations combat regulation, it clearly represents a real opportunity to promote lobbying by foundation trustees on important social issues of concern to the broader community. I hope ASF and COF will vigorously promote the same kind of action, and encourage foundation trustees to work in partnership with their grantees in support of legislative initiatives initiated by the grantees.*

#### EXCISE TAX

**Gunderson:** The other issue that is picking up some speed right now is the excise tax. Ever since we've had an excise tax, there has been the question of: Do we penalize people for giving more money one year when they go back to their standard the next year? When you have the payout requirement, the truth is, if you were not paying all this money in excise, wouldn't that money go into philanthropic services? It would have to. Wouldn't the public be better off [without the excise tax]? [You're] absolutely right about that. The Council adopted as our position the repeal of the excise tax. It's become very clear that's a non-starter—it has to be revenue-neutral.<sup>1</sup> The Council of Michigan Foundations [commissioned a study to find out] what would be a revenue neutral excise tax. That study literally came out a week ago. ... A revenue-neutral excise tax, according to Cambridge Associates, is 1.32 percent. So, would you support getting rid of all the difficulty and the complexity of the issue, having a 2 percent and a 1 percent? Would you support a 1.32 percent flat rate excise tax in order to get something changed? Congress is telling us that if it's not revenue neutral, it's not going to happen.

**Walter:** Why don't we back up just a little bit and explain? What Steve is referring to, for those of you who are somewhat new here, is that foundations pay a 1 percent or 2 percent excise tax<sup>2</sup> on their realized net gain for the year. So, you work hard with your tax plan and with your investment advisors and you go

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# Families Speak Up

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that the campaign be a partnership between the foundation and its grantees. Only engaged and activated constituents can bring about policy changes to improve families' economic well-being.

**NCRP:** What makes the *Equal Voice for America's Families* different from your other programs that seek to address issues affecting low-income families?

**LVM:** *Equal Voice for America's Families* is not a program per se—it is an extension of our strategic direction to provide support to organizations in order to build their capacity to foster a constituency of family leaders who can—as our mission states—advocate on their own behalf.

The campaign sought to concretize our goal to build a movement that unified people around a common outcome rather than a single issue. This was a campaign to inject the voices of families into the public debate, a campaign that united people—rather than dividing them along regional, ethnic and issue differences—around a common vision for the future of America's families.

**NCRP:** Why was it important for your grantees to be involved in your effort?

**LVM:** The *Equal Voice for America's Families* campaign would not have been possible without the support of our grantees. The campaign was to be family-led: that is, families would determine the issues addressed and create the national family platform. Our grantees work directly and

direct or dictate outcomes.

Although the foundation provided resources for the families to come together, the grantees energized, motivated and mobilized families to participate in the campaign.

The foundation hoped the campaign not only would elevate the voices of families but increase the capacity of organizations to build networks across regions and issues, networks that would lead to coalitions to support movement building.

**NCRP:** Tell us more about what took place on September 6. Was the event successful? Do you think the overall initiative was successful?

**LVM:** History was made at the *Equal Voice for America's Families* national convention. Families—which historically are absent from the national discussion about the social and economic realities families face—were front and center. Families from diverse backgrounds expressed their desire to be drivers of change and laid out their vision for a better future for all of America's families.

More than 15,000 families participated in the convention alone, far exceeding the campaign goal of 10,000 families. Another 5,000-plus watched the four-hour webcast. Those families came together around a platform of issues they had helped to create; they called on the country, on lawmakers and on elected officials to adopt a national platform that addresses comprehensively the economic and social challenges families face.

The campaign was a huge success. Families across the

country now have a common platform to work from. The objective is for families to push for support of that national family platform at the local, state and federal levels. I am pleased to report that several organizations involved with the

campaign already are mapping out how they will support the advancement of the national family platform.

One only has to look at what is happening in the country today—a mortgage meltdown that quickly has spiraled into an international financial crisis—to see that the families that participated in the *Equal Voice for America's Families* campaign got it right: The economic well-being of families—like that of the country—is not tied to a sin-

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have longstanding relationships with families; their work is known in—and they are trusted representatives of—their communities.

The foundation worked with a core group of grantee advisors to develop the campaign's overall strategy. Grantees then communicated that campaign strategy to families and reinforced that the foundation, as well as the organizations themselves, were there to support and not



Photo: Al White

More than 6,500 people attended the Los Angeles convention.

gle issue. The families have called for a comprehensive approach to addressing healthcare, education, wages and housing issues, to name a few of the challenges families confront on a daily basis.

**NCRP:** Some grassroots organizations have been critical of the EVAF campaign. They say that groups only are participating in the campaign so that they can stay in the good graces of the foundation, not because they are finding real value in it. Is there any validity in their critique? How have you tried to address this concern?

**LVM:** With this campaign, we tried to create a space in which grantees and their constituents could strengthen their relationships with each other and build on the work they already do. I believe that organizations that participated did so out of a genuine desire to support and advance a family agenda.

We were clear from the beginning that participation in the campaign was voluntary; there was no quid pro quo. The grantees who did not participate did not lose funding; of the 250 grantee organizations we fund, about 95 percent participated. The feedback from grantees overall has been positive; most agree that the campaign was a success and recognize its value to families and organizations.

The campaign had its detractors, and that's okay. This was a learning opportunity for the foundation as well. We are not in the business of running national campaigns, and the campaign was not without its challenges.

However, I believe that some of the skepticism had more to do with the historical relationship between foundations and grantees and less to do with the campaign itself.

Traditionally, a grantee's relationship with a foundation is passive, in that foundations give financial support to organizations to work on a specific issue and evaluate their work based on a predetermined set of outcomes. The *Equal Voice for America's Families* campaign demanded that the foundation and grantees move away from those traditional roles and forge an active, collaborative partnership to advance a family-led campaign. Yet, we were the funder for the campaign and of the grantees. Of course, people would question whether a true partnership could exist when we held the purse strings.

As a foundation that strives to be forward-thinking, Marguerite Casey Foundation takes risks, rethinks our relationship with grantees and incorporates new technologies and approaches to deal with seemingly intractable issues. To eradicate poverty and strengthen families, foundations must change how we do business. The first step toward creating change is accepting that we first must change. That's the tough part—particularly for foundations.

In retrospect, there is no question that the campaign increased the capacity of the foundation's grantees to mobilize communities and coalitions and build new ones. When we began the campaign, there was a fair amount of uncertainty that the campaign could reach its goal of engaging 10,000 families. On September 6, more than 21,000 families—more than 15,000 in person and more than 5,000 online—came together across regions,

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issues and ethnicities to have their voices heard and call for important changes in our country. I believe this is evidence that Marguerite Casey Foundation is moving in the right direction.

**NCRP:** How do you see the trend going with regard to foundations providing more support for advocacy and community organizing? What are the biggest obstacles to foundations taking on this type of grantmaking? How are you overcoming these challenges?

## An Inside Look

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**LVM:** Movement building is gaining traction in the foundation sector. Foundations such as The California Endowment have begun to make significant investments in support of movement building efforts in California. We are engaging those foundations to discuss the challenges and opportunities of philanthropic support for movement building and how our work can inform the field.

We provide general support grants to allow organizations to strengthen their core work. Advocacy and organizing are the pillars of long-term social change. The *Equal Voice for America's Families* campaign demonstrated the benefits of advocacy and organizing and the role they can play in bringing about national change.

**NCRP:** How does MCF know that its overall grantmaking is making a difference? What does your evaluation process look like?

**LVM:** Marguerite Casey Foundation considers improvements in groups' organizational capacity; increases in the number of families served and/or engaged; refinements in organizations' strategic approaches, including maturing relationships with other organizations; and, of course, actual policy changes that positively affect low-wealth families as evidence that our investments are making a difference in the areas where our grantees are working.

The success of the *Equal Voice for America's Families* campaign—that is, the mobilization of so many families across the country around a specific set of policy areas—is further evidence of the impact of our support.

Our evaluation process includes surveys, interviews, written reports and data collection, periodic convenings, ongoing and direct communication, and analyses of research and news reports that cover the types of social change we hope to see. We are committed to an ongoing process that incorporates the rigors of solid program evaluation techniques without excluding the lived experiences of people working for change in their communities. ☺

You can view photos, videos and presentations from the National Family Convention on [www.equalvoice2008.org](http://www.equalvoice2008.org).

through this number crunching, and at about week 50 of your fiscal year you try to predict where your investment returns are going to come in and see how you make that adjustment [on your grantmaking.] There are other foundations who have, for instance, been incredibly generous due to a tsunami or a 9/11 event and who all of a sudden distribute, say, 10 percent in a given year and then it ruins their excise tax percentage for the next five years because they can never get back down to that 1 percent. This is just annoying. The excise tax was well-intentioned when it was put together but it's just annoying to a lot of trustees. So what Steve is actually saying is that the Council on Foundations board has given up on repeal of the excise tax. [At this point, a poll was taken of funders in the room. One hand was raised in favor of maintaining the variable tax; at least 75 were raised in favor of the flat tax at 1.32 percent; some did not vote.]

**Gunderson:** Originally, the excise tax was meant to pay for IRS enforcement. If I recall the figures correctly, the tax generates around \$500 million and we figure there's somewhere around \$50-75 million being spent on enforcement, so there's a lot of revenue that comes in that doesn't pay for IRS enforcement and I don't know that any of us are asking for \$500 million worth of enforcement. We'd rather put that money to work in communities. I think that's why this has become such an issue.

**NCRP comment:** NCRP supports reducing the excise tax to a flat 1 percent and advocates dedicating the revenue to a significant increase in the IRS budget for enforcement, as was intended when the excise tax originally was instituted. The variable tax rate truly is a disincentive for foundations to increase their payouts and should be changed. ☺

Aaron Dorfman is executive director of the National Committee for Responsive Philanthropy.

### NOTES

1. Revenue-neutral means that the federal government will not get more or less revenue as a result of the policy change.
2. Tax exempt private foundations usually are subject to paying 2 percent of their net investment income in the form of an excise tax. If a foundation's charitable distributions in one year exceed those of its average charitable contributions for the preceding five years, the excise rate drops to 1 percent. Because a foundation's excise tax is determined using its five-year average for charitable contributions, a spike from increased giving in one year usually increases its five-year average for giving. This often subjects a foundation to the 2 percent level for the next five years if it does not meet the higher payout level it had in one year.

## Select Publications

### Strategic Plan 2008–2012 September 2007

The NCRP board of directors approved a strategic plan that will guide the organization's programming for the next five years. The strategic plan is the result of several months of intensive collaboration between NCRP's board, staff and consultants from the TCC Group, as well as the invaluable input from a diverse group representing the philanthropic communities.

### Strategic Grantmaking: Conservative Foundations and the School Privatization Movement November 2007

In this report, author Rick Cohen shows how philanthropic capital from small and large foundations has helped build political support for the school privatization agenda using movement-building grantmaking strategies.

### Grantmaking for Community Impact Project (GCIP) December 2008

GCIP will be releasing the first in a series of reports, beginning with findings from its study in New Mexico to demonstrate the community-wide benefits of efforts by advocacy, organizing and civic engagement groups on issues affecting underrepresented communities.

visit: [www.ncrp.org/publications/index.asp](http://www.ncrp.org/publications/index.asp)

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