

Responsive Philanthropy

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The Alliance of Californians for Community Empowerment (ACCE) organized numerous protests against Steve Mnuchin and OneWest Bank's discriminatory lending and questionable foreclosure practices. Photo courtesy of ACCE.



Philanthropy: It's time to choose sides

By Dan Petegorsky

As moneyed interests take over the White House, where will Philanthropy take its stand? With the most powerful or the most vulnerable?

PHILANTHROPY AS A FORCE FOR GOOD

As the 2016 presidential election campaign reached its crescendo last sum-

mer, the Consumer Financial Protection Bureau (CFPB) – a central achievement of the financial reform legislation passed by Congress in the wake of the 2008 Great Recession – was seeking comments on a set of rules the agency had drafted to rein in payday lending. One of those offering supportive testimony at a public event in Oakland, California was Erica Wood, chief community impact officer for the Silicon Valley Community Foundation (SVCF), the largest community foundation in the United States.¹

The prior year, SVCF made grants totaling \$760,000 to a range of community, advocacy and legal service organizations that had been taking on the

payday lending industry at the local, state and federal levels, using a variety of educational, legal and organizing strategies.² One of its grantees, Housing and Economic Rights Advocates, hosted the Oakland event.

Putting its reputational capital on the line alongside its grant dollars wasn't a new role for SVCF. In April 2015, as the CFPB was developing the new rules, SVCF led a group of 57 community foundations across the country that signed a letter urging CFPB Director Richard Cordray to "bring tough regulations and enforcement to the marketplace."³

The foundations and their grantees now have their work cut out for them. The rules and, *(continued on page 12)*



challenging grantmakers
to strengthen communities

Philanthropy: It's time to choose sides

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indeed, the very future of the CFPB itself, are under threat from Congress and the new administration. President Trump recently promised to “do a big number” on the whole slate of financial reforms known as “Dodd-Frank.”⁴ House Financial Services Committee Chairman Jeb Hensarling has said that he “will not rest until Dodd-Frank is ripped out by its roots and tossed on the trash heap of history.”⁵

To help achieve those ends, Trump picked as Treasury Secretary former Goldman Sachs executive Steve Mnuchin, who had served as his campaign's finance chair. Mnuchin notoriously ran OneWest bank, which has been a prime target of SVCF grantees like the California Reinvestment Coalition (CRC) for both its shady foreclosure practices and discriminatory lending – practices about which he lied to the Senate during his confirmation hearings.⁶

OneWest profited handsomely while foreclosing, often improperly, on some 36,000 homes in California alone. Its racially discriminatory lending practices were recently the subject of a CRC complaint. As the coalition's director Paulina Gonzalez put it, seeing

cally opposed to the role SVCF and its colleagues played on predatory lending. Mnuchin used his bank's foundation to back the 2015 sale of OneWest to CIT Group for \$3.4 billion, putting tens of millions of dollars into his own pocket.⁸

Despite significant opposition to the merger from public interest groups because of OneWest's wrongful foreclosures and racial discrimination, an array of other nonprofits testified in favor of the merger, citing the bank's good corporate citizenship.

As *Politico* found, all of those groups had received grants from the bank's charitable arm, the OneWest Foundation, which Mnuchin chaired – opening him up to allegations that he used the foundation for his own personal benefit.⁹ In nonprofit attorney Rosemary Fei's words, “This is exactly what appeared to happen with the Trump Foundation. It is not an appropriate use of charitable assets to benefit an affiliated business.”

As *The Washington Post's* David Fahrenthold reported throughout the 2016 campaign, Trump's private foundation (which was funded largely by unusual contributions from others, not

Another Cabinet member, Betsy DeVos, won confirmation as Secretary of Education, a post for which she was supremely ill-qualified. This was based on two factors: Her philanthropic giving focused on undermining the very system of public education she will now oversee, and her family's enormous political giving to Republican candidates and party committees, which she herself admitted could amount to some \$200 million.¹¹ This included contributions to an array of the very senators who voted to confirm her.¹²

Although not illegal, DeVos' actions exemplify what researcher and author Jane Mayer has dubbed “weaponized philanthropy” in her book *Dark Money*¹³ – the marriage of private philanthropy with targeted political contributions in support of a sweeping political agenda.

In a *Roll Call* op-ed cited by The Center for Public Integrity, DeVos herself admitted, “I have decided to stop taking offense at the suggestion that we are buying influence. Now I simply concede the point. ... We expect a return on our investment ...”¹⁴

THE INHERENT CONTRADICTIONS OF PHILANTHROPY

Let's face it: Big philanthropy is an institution of the rich and powerful. The fortunes of the wealthy – whether living or dead – provide the resources that drive the giving patterns of organized philanthropy. The political and market forces that have swelled those fortunes (and foundation endowments) in recent years have at the same time sharply deepened the divide between the haves and the have-nots.

As the examples above show, some in the philanthropic sector use the fortunes they steward to challenge systems that gave rise to inequities of wealth in the first place, while others use philanthropy as a means to reinforce that inequitable status and further enhance their own wealth and position.

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Mnuchin at the helm of the Treasury Department is “like the fox has been nominated to guard the henhouse.”⁷

PHILANTHROPY FOR PERSONAL GAIN

Mnuchin and OneWest also embody a philanthropic role that is diametri-

himself) engaged in self-dealing, paying off debts incurred by his business operations.¹⁰ “Donald Trump spent more than a quarter-million dollars from his charitable foundation to settle lawsuits that involved the billionaire's for-profit businesses.”

The president has stacked his administration with wealthy individuals who will reap enormous personal benefit from policies that he and Congress will pursue. In addition to de-regulating Wall Street, the proposed elimination of the estate tax will similarly benefit the most advantaged.

Bloomberg political reporter Sahil Kapur noted following the election, “President-elect Donald Trump, who won the hearts and minds of millions of working-class voters, may help deliver a multibillion-dollar bonanza to America’s wealthiest families.”¹⁵

For example, the estimated savings for Trump himself would range from \$564 million to \$1.9 billion; for Commerce Secretary Wilbur Ross, \$545 million. The family of Betsy DeVos, \$900 million.¹⁶ Currently, his Cabinet is already worth \$4.5 billion,¹⁷ and the move would dramatically further the accumulation of dynastic wealth.

So as wealthy donors and philanthropic endowments stand to reap big rewards from such policies, how grant-makers respond can either exacerbate or counter the divides of wealth and privilege.

Unfortunately, when major umbrella organizations of the nonprofit and foundation sectors convene, the least common denominator approach often yields the narrowest of responses. The widest calls from nonprofit and foundation networks focus on preventing a potential cap on federal charitable deductions, as well as resisting further regulation of endowments, donor advised funds and other giving vehicles.

In *Gilded Giving*,¹⁸ Chuck Collins, Helen Flannery and Josh Hoxie note that philanthropy as a whole is becoming increasingly top-heavy. “While itemized charitable deductions from donors making \$100,000 or more increased by 40 percent, itemized charitable deductions from donors making less than \$100,000 declined by 34 percent.”

And a new report from Vanguard Charitable Endowment Program reveals that “nearly 60 percent of contributions in 2016 came from non-cash assets, such as highly appreciated assets that would otherwise be subject to capital gains if sold.”¹⁹

NOW MORE THAN EVER, FOUNDATIONS NEED TO CHOOSE SIDES

It’s understandable why the sector is frightened that removing incentives for charitable giving might further drain their coffers at a time when government funding for public services may be eviscerated. But it feels dangerously short-sighted for the sector to plant its common flag in this turf only, while avoiding the far more ominous ravages ahead.

General statements aren’t enough. The times demand more specific actions targeting specific policies, like defending the banking reforms targeted for elimination or opposing Trump’s Muslim travel ban.²⁰ Funders need to dig deeper like The California Endowment, which is committing \$25 million to a Fight4All program to protect the health, safety and wellness of all Californians.²¹

So it’s time for funders to choose what kind of return on investment they’re seeking: Returns that cement the power and influence of the wealthy – and line their own pockets – or returns that lift up those on the down side of power to challenge those prerequisites. ■

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Notes

1. See related blog post on <https://www.siliconvalleycf.org/blog/announcements/svcf-urges-strong-federal-payday-lending-rules-town-hall>.
2. A list of SVCF grantees is available at

<https://www.siliconvalleycf.org/anti-payday-lending-grantees-2015>.

3. See press release at <https://www.siliconvalleycf.org/press-release-april-8-2015>.
4. Glenn Thrush, “Trump Vows to Dismantle Dodd-Frank ‘Disaster’,” *The New York Times*, Jan. 30, 2017, <https://www.nytimes.com/2017/01/30/us/politics/trump-dodd-frank-regulations.html>
5. Jared Bennett, “Trump, Wall Street and the ‘banking caucus’ ready to rip apart Dodd-Frank,” The Center for Public Integrity, February 1, 2017, <https://www.publicintegrity.org/2017/02/01/20645/trump-wall-street-and-banking-caucus-ready-rip-apart-dodd-frank>.
6. Alan Johnson and Jill Riepenhoff, “Trump treasury pick Mnuchin misled Senate on foreclosures, Ohio cases show,” *The Columbus Dispatch*, January 29, 2017, <http://www.dispatch.com/news/20170129/trump-treasury-pick-mnuchin-misled-senate-on-foreclosures-ohio-cases-show>.
7. Isaac Arnsdorf and Kenneth P. Vogel, “Mnuchin foundation donated to groups that vouched for his bank,” *Politico*, November 201, 2016, <http://www.politico.com/story/2016/11/mnuchin-treasury-foundation-trump-232016>.
8. *Ibid.*
9. *Ibid.*
10. David Fahrenthold, “Trump used \$258,000 from his charity to settle legal problems,” *Washington Post*, September 20, 2016, https://www.washingtonpost.com/politics/trump-used-258000-from-his-charity-to-settle-legal-problems/2016/09/20/ad88f9c7d11-11e6-ac8e-cf8e0dd91dc7_story.html.
11. Dan Alexander, “Betsy DeVos says it’s ‘possible’ her family has donated \$200M to Republicans,” *Forbes*, January 17, 2017, <http://www.forbes.com/sites/danalexander/2017/01/17/devos-says-its-possible-her-family-has-donated-200m-to-republicans/#11d3bcc24268>.
12. Cristobal J. Alex and David Donnelly, “DeVos finally gets hearing – before the same senators she helped elect,” *The*

American Prospect, January 17, 2017, <http://prospect.org/blog/checks/devos-finally-gets-hearing-same-senators-she-helped-elect>.

13. Jane Mayer, *Dark Money: The Hidden History of the Billionaires Behind the Rise of the Radical Right* (New York: Knopf Doubleday Publishing Group, 2016).
14. Neil Gordon, "Organizational donors," The Center for Public Integrity, May 19, 2014, <https://www.publicintegrity.org/2005/05/26/5838/organizational-donors>.
15. Sahil Kapur, "Estate tax repeal would be a bonanza for Trump and his Cabinet," *Bloomberg*, December 9, 2016, <https://www.bloomberg.com/politics/articles/2016-12-09/estate-tax-repeal-under-trump-would-benefit-president-cabinet>.

16. *Ibid.*
17. Chase Peterson-Withorn, "Here's what each member of Trump's \$4.5 Billion Cabinet is worth," *Forbes*, December 22, 2016, <http://www.forbes.com/sites/chasewithorn/2016/12/22/heres-how-much-trumps-cabinet-is-really-worth/>.
18. Chuck Collins, Helen Flannery and Josh Hoxie, *Gilded Giving: Top Heavy Philanthropy In An Age of Extreme Inequality* (Washington, D.C. : Institute for Policy Studies, November 2016), <http://www.ips-dc.org/report-gilded-giving/>.

19. See press release: <https://www.vanguardcharitable.org/news/more-charities-received-vital-aid-from-vanguard-charitable-donors-in-2016>.
20. Alex Daniels, "50 Grant makers and philanthropy organizations protest Trump's travel ban," *The Chronicle of Philanthropy*, February 3, 2017, <https://www.philanthropy.com/article/50-Grant-Makers-and/239124>.
21. Alex Daniels, "California Endowment to channel \$25 million to aid those hurt by Trump policies," *The Chronicle of Philanthropy*, December 20, 2016, <https://www.philanthropy.com/article/California-Endowment-Commits/238726>.

8 lessons in the fight for equity and justice

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new to nonprofit leadership. They are expressing a need for digital security training to help them with everything from secure communications to dealing with opposition attacks and even hate crimes.

8. There's a need, now more than ever, to create "unity fights."

As Mary Hooks, co-director of SONG, puts it, "unity fights"¹ allow us to connect issues like immigration, incarceration, educational equity, bodily self-determination and fair wages. As Marisa Franco, leader of Mijente, an RJF grantee partner, writes, "We seek to move with other communities who have had a target placed on their back and more than ever connect the dots between the criminal justice system and immigration enforcement system."²

Groups with intersectional lenses on social justice like SONG and Mijente are most poised to bring groups together, build alliances and create progressive platforms of resistance and power. But bringing groups together takes resources, and very few funders

provide specific support to coalitions and networks.

Examples of intersectional coalitions to look into are the Southern Movement Assembly, immigrant and refugee rights statewide coalitions and Safe Schools coalitions.

RJF chooses to reside within a public foundation with a history of providing long-term support to intersectional organizing that connects issues of sexual orientation and gender identity with race, migration, class, dis/ability, national origin and age. Partnering with the Astraea Lesbian Foundation for Justice means that their expertise and credibility with activists around the country becomes our strength as well.

Working with public foundations in this post-election moment has deep meaning. Public foundations feel the ups and downs of political swings on their budgets and are therefore in touch with the grassroots in a particular way. They, too, need our support.

The next four years will ask us to arrive at work with our best selves and to

share good practices with one another. We will have to stay on our feet and work together. In this spirit, we at the LGBTQ Racial Justice Fund welcome chances to work with other funders and funding networks such as Grantmakers for Southern Progress, NCRP and Funders for LGBTQ Issues.

We are always looking for new ways to engage with a wide variety of funders and would love to hear from your institution. Please send inquiries and ideas for partnership to lgbtqracialjusticefund@astraeafoundation.org. ■

Miabi Chatterji is program officer of the LGBTQ Racial Justice Fund. She has been on the funding side of the table as well as the grant-writing side, as a volunteer and member of several community-based groups for young people, people of color and workers.

Notes

1. View <https://vimeo.com/162723706>.
2. From a letter sent to funders and allies on November 16, 2016.