

THE INTERSECTION OF PHILANTHROPY AND GOVERNMENT

**A Briefing Paper Prepared for the
California Foundation Leaders Gathering
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Background

Senior executives of leading foundations in northern and southern California will gather November 9-10 at Sunnylands, located in Rancho Mirage, California to discuss issues of mutual concern. One of the areas that participants have identified as potentially ripe for exploration is how California policy issues and the work of state government intersect with philanthropy. The Planning Committee asked The Center on Philanthropy and Public Policy to prepare a briefing document to help frame a discussion on how foundations engage with government, with a particular focus on California.

As a first step, we asked all 24 invited participants to respond to a brief survey during July and August; 22 foundation leaders responded providing a snapshot of the extent to which the foundations they lead actively seek to influence public policy, partner with government, enhance governance, and improve public sector performance; the issue areas that are the focus of such efforts; and the range of strategies they pursue. Based on survey responses, we interviewed leaders from 10 of the foundations to gain a more in-depth understanding of the factors that shape their choices, the consequences – both intended and unintended – and the lessons learned. The results of the survey and the input from the interviews of foundation leaders help inform and animate this paper, which is intended to contribute as background for the November meeting.

In the process, we have been struck by the number of foundations that are engaged in the policy process and that are partnering with the public sector. The issues which these foundations focus on range from local housing needs to limiting payday lending, from climate change to water policy, from civic engagement to governance reform, and from implementation of the Affordable Care Act to improving the performance of the San Francisco Unified School District. We also note the wide range of approaches and strategies that the foundations have pursued in these efforts including the willingness of some to be “all in” in terms of leveraging their assets – dollars, knowledge, and connections – to achieve their objectives.

The 24 foundations participating in the meeting are among the largest in the state. Based on data from 2012, they account for nearly 50 percent of total assets of all California foundations and 32 percent of total giving. While they are considerably larger than most other foundations in the state, they vary in scale and geographic scope, in legal structure and governance, and the program areas they address.

Total giving among the foundations ranges from \$12.5 million to \$381 million, with median giving of \$47.8 million; and total assets range from \$66.3 million to \$10.5 billion, with median assets of over \$1 billion. Foundation staff sizes vary from six to more than 100 employees. Half of the foundations have been created since 1980, with the oldest being formed 100 years ago and the most recent being created in 2006.

Thirteen are private foundations, five are community foundations, three are operating foundations, one is a corporate-sponsored foundation, and two are social welfare organizations [501(c)(4)s]. Five of the foundations have significant involvement of the donor's family. And there are five health-focused – four were created from the conversion of nonprofit health care organizations in the 1980s and 1990s, and one is a corporate-sponsored foundation. Interestingly,

there is also one foundation that was created through the conversion of a student loan fund, and another foundation that was formed from a nonprofit cemetery.

The foundations focus on a wide array of program areas from the arts to education, from human services to health, and from environment to science and technology. In addition, a number have identified interests in specific populations such as children and families, military veterans, transition aged youth and foster care, the homeless, immigrants, the LGBT community, and the economically disadvantaged.

Despite the range of missions and issues, the scale and scope, there is much in common among the foundations that suggests that a conversation on the opportunities and challenges of working at the intersection with government and the lessons learned for foundation governance, organizational capacity, and foundation practice should be robust, engaging, and informative. In this paper, we only touch upon the critical choices that arise as foundations engage with government. We reference a number of resources in the paper that are available which you can access at the following link should you wish to go deeper on any particular issue:
<http://goo.gl/5IUahI>

THE INTERSECTION OF PHILANTHROPY AND GOVERNMENT

Introduction

As foundations address the issues and causes central to their missions, there is an interest in working at the intersection with government to expand their impact. There are numerous examples historically in which foundations have had an impact on public policy and have partnered with government to achieve important social change. What is different now is the recognition by foundations of the various avenues in which they can engage with government, the increasing number of opportunities for action, and the growing sophistication and seeming willingness to do so among a larger number of foundations.

Many foundations believe that philanthropy is well positioned to play a “venture capital” role for public problem solving. Largely insulated from markets and politics, foundations have the freedom to experiment with innovative solutions to pressing public problems, catalyze action in the public policy process, and improve the performance of public institutions and systems. They realize that no matter the scale of philanthropic dollars or their growth, their magnitude is small relative to the scale of many problems. But they also see that in the current era of government austerity and political polarization, there are new opportunities for philanthropy to contribute to public problem solving.¹

At the same time, government leaders are recognizing the benefits of working with philanthropy. As recent experience has shown, government is more conscious of strategies that can leverage the assets of philanthropy to address critical problems across different communities. This has been amplified during President Obama’s tenure with a number of federal programs that seek to match public dollars with philanthropic resources such as Promise and Choice Neighborhoods, the Social Innovation Fund and the creation of Offices of Strategic Partnerships that provide an infrastructure for public-philanthropic partnerships across the federal government.² Similar efforts are being played out at the city, county and state levels as well.

These trends are creating a wider set of possibilities for foundation engagement with government, and more foundations appear to be seizing these strategic opportunities as they seek to make a greater impact. It is not just about influencing the policy process, but it is also about partnering with government. It is not just about funding nonprofits to do research and development for solutions, but it is also about field building and nurturing policy networks. It is not just about what happens in Washington, D.C., but it is also about what happens in the states

¹ Stid, D., A. Powell and S. Ditkoff, *Philanthropy in the New Age of Austerity*, The Bridgespan Group, September 2012.

² Abramson, A., B. Soskis, and S. Toepler, *Public-Philanthropic Partnerships in the U.S.: A Literature Review of Recent Experiences*, The Council on Foundations, September 2012a; and Abramson, A., B. Soskis, and S. Toepler, *Public-Philanthropic Partnerships: Trends, Innovations, and Challenges*, Council on Foundations, September 2012b. Also see: Ferris, J., and N. P. O. Williams, *Catalyzing Collaboration: The Developing Infrastructure for Federal Public Private Partnerships*, The Center on Philanthropy and Public Policy, October 2014.

and in local communities. And, it is not just about an issue or a cause, but it is also about how democracy works and how public agencies perform.

The Survey

While there are a myriad of ways that philanthropy can engage government, we have identified four basic approaches that foundations pursue to achieve greater impact. We inquired about these approaches in the survey that 22 foundation leaders who are participating in the November meeting responded to this summer:

- *Influencing the Policymaking Process* – Foundations work to impact the public policymaking process at various stages, in different venues, and different jurisdictions.
- *Building Public-Philanthropic Partnerships* – Foundations collaborate with government in an intentional and sustained way – through initiatives, programs, and projects – to accomplish a shared goal.
- *Enhancing Democratic Processes* – Foundations undertake efforts to increase the robustness of democracy and its ability to govern through voter participation and civic engagement and reform of the political process.
- *Improving Government Performance* – Foundations help to improve the performance of public organizations and systems.

Twenty of the foundations indicate that they currently pursue one or more of these four approaches. Over half do so frequently (13); and five do so occasionally. Only two do not currently pursue one of these approaches nor do they anticipate doing so in the near future.

Most of the foundations pursue public-philanthropic partnerships (17) and/or work to influence public policy (16). Over half (13) of the foundations work to improve government performance, and slightly less than half (9) focus on enhancing democracy. Not surprisingly, most foundations are involved with more than one of these approaches. About half of the foundations use three (6) or four (5) of these approaches across the work of their foundations.

It is common for the efforts of foundations pursuing one approach to spill over into one or more of the others. In some instances, this is a reflection of a multi-pronged strategy. For example, The James Irvine Foundation worked to demonstrate the importance of linked learning working in partnership with a number of school districts and then used the results to influence the state policy process to scale linked learning across additional school districts. Also, there are foundations that have focused on making changes to the rules of the policy process in an effort to make California more governable and, at the same time, are working to encourage voter participation and civic engagement. In other instances, the crossover between approaches is the result of a focus on policy implementation where efforts to influence the policy process intersect with partnerships with government. For example, many of the health-focused foundations have long been advancing policy to expand access to health care and, with the passage of the Affordable Care Act, are now working in partnership with the state to ensure ACA's effective implementation.

Philanthropic engagement with government plays out at different levels of government depending on the issue and the geographic scope of the foundations. Seventeen of the foundations indicate that their work intersects with government at the state level and sixteen are working at the local level – counties, cities, and/or school districts. There are four more that work at local, state, and national levels and there are three additional foundations that work at all four levels of government. Working at different levels of government reflects the broad reach of a number of the foundations. But, it also recognizes the interplay between levels of government in a federal system. For example, while many of the foundations primarily focus on local issues, they understand that state policy has a profound impact on the communities that are their concern. This is particularly important given the fiscal realities of local-state relations in California.

In the following section, we examine key dimensions of the four approaches that foundations pursue at the intersection with government. Then, in the subsequent section, we discuss the implications for foundations in terms of governance and strategy, organizational capacity, and foundation practices.

Four Approaches for Working at the Intersection with Government

Influencing the Public Policy Process

Foundations have long realized that an important strategy to advance their missions is to shape public policy. Foundation engagement in public policy has gained traction in recent years as the limitations under the 1969 Tax Reform Act have been clarified and efforts to educate foundation boards and staff have taken root.³ For example, the California HealthCare Foundation has conducted research on rising employer-sponsored health insurance rates that has helped to place state regulation of those rates on the state policy agenda; the David and Lucile Packard Foundation has promoted the formulation and adoption of public policies that help change land use practices in their efforts to mitigate climate change; and The California Endowment has worked to support the implementation of the Affordable Care Act in California through outreach to vulnerable populations most effected by the law.

Engagement in the public policy process requires a foundation to make a conscious choice, based on careful consideration of the foundation's mission and philosophy, scale and scope as well as the opportunities in the policy environment and the philanthropic landscape.⁴ There are multiple pathways that foundations can take. In some instances, the foundations have had an emphasis on

³ In a recent survey of over 1,300 foundations, about one quarter (315) responded that they were funding or currently engaged in direct charitable activities that were considered policy related. Over half of those increased their funding in the last five years. See: The Foundation Center, *Key Facts on Foundations' Public Policy-Related Activities*, December 2010.

⁴ See: Ferris, J., *Foundations and Public Policymaking: Leveraging Philanthropic Dollars, Knowledge and Networks*, The Center on Philanthropy and Public Policy, August 2003; Arons, D., *Power in Policy: A Funder's Guide to Advocacy and Civic Participation*, Fieldstone Alliance, 2007; GrantCraft, *Advocacy Funding: The Philanthropy of Changing Minds*, The Foundation Center, 2005.

impacting public policy since their formation. Yet, there are other foundations that come to policy work recognizing that their programmatic goals will best be met through policy change. Still others will be driven by new circumstances at the foundation or emerging opportunities in the policy environment.

The multi-dimensional nature of the policy process provides varied points at which a foundation may enter. There are various stages from problem definition to agenda setting to policy adoption, implementation, and evaluation. There are different venues in which public policies are made: legislative processes, executive agencies, and the courts. And, there are various levels of government that can be arenas for policy decisions. The multiple points at which foundations can choose to impact the outcomes of the policy process create a range of options that the foundations may pursue. And, foundations will often move between different points in the process. We see this occurring in the interplay between levels of government in the federal system as well as different stages in the process. The challenge is to determine at what point(s) a foundation can best leverage its assets, and what resources and capacities are needed to do so. Linking a foundation's grantmaking strategies to the different policymaking stages, venues, and jurisdictions is an important element in such a calculus.⁵

Foundations must also choose how they will go about influencing policy. Typically, foundations work from the sidelines to influence public policy at the early stages of the policy process – sometimes directly and sometimes indirectly. They do this by funding efforts that raise awareness and create public will that help contribute to policy adoption, then they pivot and support implementation and evaluation. At earlier stages, foundations typically work from outside to impact policy choices while at the later stages they move to working inside to help government implement the policy.

Many foundations fund work of policy relevance, including policy analyses and evaluations, pilot programs, and technical support. However, such activities alone are not likely to be sufficient to achieve policy change. A foundation that seeks to drive public policy will want to consider playing a more active role in influencing the policy process. Potential strategies include: funding nonprofit advocacy groups that are actively engaged in promoting policy agendas that resonate with the foundation's values and mission; working with others of like minds in the funding community – from information sharing to joint funding – to create policy networks. Beyond grantmaking, a foundation may also choose to build its own capacity for conducting research and analysis, convening the policy community, and/or working directly with public officials to leverage all of its assets.

Foundations that engage in policy work tend to be those of a greater scale and a broader geographic scope. In many ways they are better positioned to leverage not only their dollars but their knowledge and networks to impact the policy process. But there are opportunities for a greater number of foundations to engage in state and local policymaking processes. And the

⁵ Campbell, M. and J. Coffman, "Tools to Support Public Policy Grantmaking," *The Foundation Review*, Volume 1:3, 2009.

issues of scale and scope are less determinative when foundations are willing to work together to create the desired policy change.

Building Public-Philanthropic Partnerships

Philanthropic-government partnerships include a variety of activities in which foundations and public agencies work together in an intentional and sustained way to achieve a shared goal. In recent years, this approach has been discussed more frequently, spurred in part by a greater focus by government on the advantages of partnering with philanthropy (and business) to achieve greater impact.⁶ The recognition of the promise of a partnership approach is manifested in the emergence of offices of strategic partnerships that are intended to catalyze, facilitate and accelerate cross-sectoral partnerships.⁷

The value proposition of cross-sectoral partnerships is that each has strengths that when blended make a bigger difference. For example, the Summer Night Lights program, which keeps more Los Angeles parks open at nights during the summer months, is a collaborative effort between the City of Los Angeles and a number of local foundations. Foundations can also provide flexible resources, technical expertise, and credibility that enhance the chances for successful policy implementation. As noted earlier, a number of California's health focused foundations are working in a coordinated way to implement the Affordable Care Act. For instance, they are helping to support enrollment in the health exchange, expand Medi-Cal, and increase the capacity of the provider community.

What a partnership entails varies considerably based on the nature of how the two sectors decide to work together. This is illustrated in Figure 1. The most basic partnership might entail the two sectors sharing information on issues of mutual concern. This might then lead to more coordinated and aligned activities and resources across sectors. At the other end of the spectrum, the two sectors might work together in a fully-integrated fashion to create and/or fund a new program, initiative, or project.

⁶ The opportunities and challenges that come when the two sectors partner are described in a Grantcraft report: *Working with Government*, The Foundation Center, 2010. See also: Stid, et al (2012) and Abramson et al (2012b).

⁷ Ferris, J. and N. P. O. Williams, *Philanthropy and Government Working Together: The Role of Offices of Strategic Partnerships in Public Problem Solving*, The Center on Philanthropy and Public Policy, January 2012.

Figure 1. Public-Philanthropic Partnerships

<i>Type</i>	<i>Description</i>	<i>Key Questions for Philanthropy</i>
Outreach Efforts	Collaborating to gain access to specific populations or wider audiences through each sectors' networks.	<i>Let's work together to push out a message or idea.</i> -How can we use the reach of government and its distribution channels to deliver an important message or idea? -Are there messages or ideas from government that are important for us to distribute through our networks?
Information Sharing	Sharing data, knowledge or networks to inform programs or policies with each other.	<i>There are things we can both learn.</i> -What can we learn from government to inform our programs or how we are working with grantees? -What can we share with government partners about what we've learned that will help to address the issues we both care about?
Operating in Parallel	Addressing a common issue or set of issues in the same geographic or policy domain in such a way that financial and non-financial resources and efforts remain separate but do not overlap or compete with one another.	<i>We see the problems or solutions in similar ways, but have expertise and resources that are better applied on our own.</i> -How can we best coordinate our resources so they complement one another? -Given the scale of government, which of our resources – dollars, knowledge and networks – will be most effective? -How can we allocate those resources so they are not competing with government?
Co-Ownership	Partnering in a holistic way to create and/or fund an initiative jointly, in some cases with shared decision-making and authority.	<i>We see the problems or solutions in similar ways so let's solve this problem together in an integrated fashion.</i> -What is it that we are able to accomplish together that we cannot do on our own? -How can we maximize the value of the partnership? -How do we minimize the risks and costs of an integrated partnership?

As foundations consider working directly with governments as partners, there are different calculations they consider in making a decision. The ability and effort required to work across sectors can be considerable. There is a need to understand who the actors are, their motivations and incentives, and the rules under which they operate. For example, foundations are buffered from political forces, focus on a few core issues, and operate with a long time horizon. In contrast, public agencies are responsive to election cycles, are often focused on the crisis of the moment, and have limited budgetary discretion. And, leaders on both sides do not fully understand how the other operates. Bridging such differences makes philanthropic-government partnerships inherently difficult to initiate, manage and sustain.

In addition, cross-sectoral partnerships carry risks. Neither foundations nor governments are inclined to share authority. Foundations are accustomed to making decisions on their own without the involvement of outside actors. Governments are also conscious of being transparent and publicly accountable so they are not likely to delegate decision-making authority. Because

partnerships imply shared decision-making, philanthropy and government must share the risk of involving themselves in decisions that are not of their own making. Moreover, working together in partnership across sectors may be viewed as inappropriate. Foundations may worry about loss of independence and the scrutiny that comes from a perception of undue influence. And they are always concerned about not taking on the core business of government.

To work across organizational boundaries, foundation and government staff must identify potential partners where interests align, build and nurture relationships that engender trust, and establish processes and procedures for engagement, decision-making, and boundary setting. This can be tedious, frustrating, and time consuming, although efficiencies may be gained if government and philanthropic actors have worked together before and are committed to a sustained partnership.

Enhancing Democratic Processes

Another arena in which philanthropy and government intersects are efforts to enhance democracy. The ability to translate the interests of the public into collective action is at the heart of democracy. Foundations work to improve the democratic process by increasing voter participation and civic engagement as well as influencing the rules that structure how public decisions are made.

In terms of voter participation, The James Irvine Foundation's initiative on the Future of California Elections – working with civil rights organizations, good government groups and county registrars of voters – has focused on reforming California's state and local election systems so as to expand access through on-line and same day voter registration, as well as to improve voter information provided through the Secretary of State's office. And, the California Community Foundation, in partnership with other foundations, encourages and assists eligible legal permanent residents to become U.S. citizens, including installing "citizenship corners" in public libraries, thereby empowering their voice in elections. In addition, California Civic Participation Funders – a group of ten foundations – are not only focused on voting, but are also working to boost civic engagement across communities of color and other underrepresented groups with the aspiration that "better, more durable solutions to deep seated problems" will emerge.⁸ As groups are brought into the political process and become civically engaged, there is likely to be a more vibrant democracy with a greater prospect to have solutions shaped by those most affected.

While ensuring a diversity of voices in democratic processes is important, the capacity to reach public decisions is impacted by the rules and processes that shape public decision making. Foundations have often supported efforts at "good government," which tend to arise at times when there is frustration with the ability to govern. California Forward represents an effort to improve governance in California by reforming the state's political process. It is focused on promoting more effective, fiscally sound public policies that are responsive to the interests and

⁸ California Civic Participation Funders. *Bolder Together*. n.d..

needs of Californians.⁹ The creation of California Forward was spearheaded by five foundations – The California Endowment, the Evelyn and Walter Haas, Jr. Fund, The James Irvine Foundation, The William and Flora Hewlett Foundation, and the David and Lucile Packard Foundation. The foundations felt that the dysfunction in Sacramento was hindering their efforts to advance a variety of policy issues important to their missions. Rather than have foundations push particular policy positions, they created an independent organization to focus on championing a system where there are political rewards for solving public problems. Central to California Forward’s strategy is a nonpartisan agenda, supported by a diverse set of constituents. Thus far it has contributed to the adoption of the independent commission for redistricting and the top two primary system, which aim to give more voice to moderate voters.

These examples of foundation involvement in enhancing the democratic process rely on the same approaches, strategies and tactics that have been discussed in the context of influencing the public policymaking process and building public-philanthropic partnerships. What is different about this approach is the explicit focus on how the political process is able to respond across an array of issues and not on a particular programmatic issue. The capacity to govern and solve public problems is of critical interest to foundations that work on the same issues as government.

Improving Government Performance

Foundations can also achieve greater impact by working to improve the performance of public organizations and systems. Philanthropy has an interest in ensuring that public agencies and systems in areas of interest such as schools, foster care, and social services are delivering on their promise. To the extent that government is open to working with philanthropy to improve performance, there is an opportunity for cross-sectoral partnerships to deliver better public sector outcomes. And of course, as we have already noted, there is often a crossover from influencing the policy process to partnerships with government at the policy implementation stage.

The precise nature of this approach can vary considerably from philanthropy providing government with discretionary dollars for technical assistance or public outreach to an ongoing, collaborative effort to improve leadership in a school district to the co-creation of an office of strategic partnership. For example, the California Community Foundation, with support from other funders, worked with the U.S. Census Bureau and local community groups to ensure that the 2010 Census was effectively carried out. They did this by establishing a very interactive relationship with the Bureau which provided real-time feedback that CCF used to target outreach to under-responding communities. The consequences of a more accurate Census are far-reaching in that it impacts public funding formulas in general rather than any particular issue or program. In another instance, the Walter and Elise Haas Jr. Fund, concerned with the educational outcomes of children from low-income families, has chosen to work directly with the San Francisco Unified School District. They seek to improve educational outcomes of students by working with school district leaders to change the culture as a way to foster better performance. And, a small group of southern California foundations worked with the Mayor’s office in the City of Los Angeles to form the Office of Strategic Partnerships as a way to better connect city

⁹ “California Forward: Collaborating to Fix Government,” The Bridgespan Group, October 29, 2012.

government with the local philanthropic and nonprofit sectors to encourage cross-sectoral partnerships.

There is considerable overlap in the considerations of working to improve public sector performance and those we discussed previously in the context of building public partnerships. Both involve working in a partnership across the sectors. In this case, the focus is on increasing the ability of public organizations and systems to deliver by improving government itself. In the previous case, the focus was on foundations and government working together to create a new project, program, or initiative. Of course, this distinction is sometimes subtle; but the former is aimed at fixing something and the latter creating something new.

Working at the Intersection: Implications for Foundation Governance, Capacity and Practice

Foundations are increasingly contemplating how to create greater impact through engagement with government. There are three primary areas for foundations to consider as they do this. The first relates to governance and the decisions foundations make as to whether to engage and which one or more of the four approaches to pursue: influencing the policy process, partnering with government, enhancing democracy, improving public sector performance, or some combination. The second has to do with the organizational or institutional capacity a foundation may need in order to carry out the various approaches as such efforts become more central to the work of the foundation. Finally, the implications for foundation practices are considered including grantmaking, evaluation, and collaboration.¹⁰

Governance

Foundations take different pathways to engaging in the public policy process and to partnering with government. They have differing philosophies, purposes, and strategies for doing this work. There are some foundations that began with a mission to create change by affecting public policy or that have developed program areas designed to impact democratic processes. Others undergo an evolution that transforms their aspirations to create impact through changing circumstances at the foundation such as an infusion of assets, a change in leadership, or an opportunity that emerges in the policy environment. Regardless of the route, more foundations are assuming important roles at the intersection of philanthropy and government.

Embarking on any of the approaches identified here requires that a foundation be clear about its values, philosophy and mission, and that it is steadfast in its commitment to sustain the effort. Policymaking is messy and unpredictable, beyond the control of any foundation. It requires a tolerance for risk – both in terms of reputation and failure – and uncertainty since there is no sure

¹⁰ In the context of this discussion, we focus on efforts to influence the policy process and to partner with government regardless if the focus is a particular policy issue or democracy and the public sector since the implications have more to do with the nature of the work. Parenthetically, all of the foundations that work to enhance democracy or improve government performance are involved in the policy process and/or partnerships with government.

timetable to produce tangible, demonstrable outcomes. Partnering with government requires foundations to operate in an environment where the institutional logic is often at odds with that of philanthropy and it too requires patience as relationships are forged, trust is developed and rules and processes for engagement are established. This is especially true for the more integrated partnerships. While there may be some opportunities for quick engagement in policy or partnership work, in most instances foundations must be willing to commit to the long haul in terms of their attention and resources if they are to see fundamental change on the issues that matter to them. The commitment needed will only increase the larger the change sought and the more contested the issue.

Another important and related consideration is the degree of involvement that the foundation is willing to undertake. Within each of the approaches, foundations can choose to be more or less involved along a continuum. At one end, a foundation may choose to be a passive investor by underwriting research and analysis on a policy issue, sharing information on foundation activities with public officials that have common interests, funding efforts to increase civic engagement, or providing technical assistance to a public agency. At the other end, a foundation may take a more active role, augmenting such investments with more aggressive efforts to move issues not only with their dollars, but with their time, knowledge and connections. For example, a foundation might build policy networks and stakeholder coalitions, engage with public officials in the co-creation and co-financing of new projects and initiatives, work to reform election laws or invest in efforts to change the culture of a public system from the inside. In effect, a foundation may fund others working for policy change, or a foundation may assume the role of the policy entrepreneur driving change, or somewhere in between.

The importance of values, risk/reward, commitment and engagement sustainability become intertwined as foundation executives and their boards work through these strategic choices. The choice of approach appears to be guided by a foundation's perception of the greatest opportunity for contribution, determined by a mix of its own organizational imperative, the policy environment, and the efforts of other foundations. But there are some lessons and observations that emerge from conversations with foundation leaders about the governance challenges inside their foundations. First, engage the board early and often as the foundation is developing its approach and strategy. Second, make sure that as the work unfolds that there is useful and useable information about progress to ensure continued commitment and to make adjustments where necessary. Third, foundations may assume different postures for different issues – it can be “all in” on some issues and simply a contributor to others. Fourth, stopping action can be as important as working for change. Five, there will undoubtedly be surprises, occasionally pleasant ones.

Capacity

Foundations that choose to engage in the policy process or to partner with government must consider a range of issues in how they develop their capacity to undertake such work. This ranges from what skills and expertise the foundation needs to develop and implement its strategies to how best to organize its talent.

As foundations move their engagement with the policy process and partnerships with public agencies to the center of their work, there is a recognized need for talent that goes beyond expertise on the issue area of focus. There is a need to understand the policy process, politics, and public bureaucracy. Obviously, the precise aspects of what is most important will be a function of the approaches, strategies and tactics that will be pursued. For example, if the foundation is working to adopt new public policy, there will be a need to understand what is involved in agenda setting, creating public will and policy advocacy. If the focus is on partnerships and policy implementation, there will be a need for someone who has a keen understanding of the culture, rules, and procedures that shape bureaucratic behavior.

But the requisite capacity entails more than simply understanding the various and relevant dimensions of the public sector. The accumulation of experiences of foundation engagement with the policy process has underscored the importance of strategic communications, evaluation and coalition building. This is particularly true in cases where foundations are actively engaged in driving policy change. Strategic communications is an important element in any campaign for change – whether it is providing grantee partners with the expertise or whether it is the foundation itself that is trying to move the issue. Evaluation is also critical in that it provides benchmarks to reinforce a foundation’s commitment over time and, where necessary, guide mid-course corrections for efforts that often take 10 years or more. And for foundations that are driving change themselves, talent that understands how to bring actors together is important whether that is to create policy networks, to build the field, or to organize a stakeholder coalition.

Identifying the human capital to carry out foundation work with and around government and the policy process is easier as foundations develop experience in these various approaches, especially in cases where there are efforts across foundation programs. The more vexing question for foundations is how best to organize it. There is no unique way to do so. A perennial question in organizational design is what talent should be built in-house and what expertise can consultants provide. Foundations have experimented with various organizational designs over time only to change course. For example, as foundations began to work in public policy, they created positions such as director of public policy, or director of evaluation. As they gained experience and scaled up the activity, some foundations decided to integrate such expertise into their program areas rather than to have it stand alone.

There are some observations that emerge from conversations with foundation leaders about the challenges of building foundation capacity to influence public policy or to partner with government. First, consultants can provide expertise on issues, communications, and evaluations, but ultimately strategy development should be done by foundation staff. Likewise, in those approaches where relationships and trust matter most, such as in partnerships, the work has to be done by foundation staff. Second, a corollary of the commitment issue discussed in the context of foundation governance extends to staff. It is important to have stability among foundation staff working at the intersection with government. Third, it is important as foundations and their staffs engage with government that they understand what is permissible under the law (both federal and state) and what the relevant foundation policies and practices are. Finally, as the foundation sees policy and partnership work as central to its strategy, and the foundation adopts a more active and engaged profile, the foundation will begin to look and feel more like an operating foundation. This is clearly the case in those instances where such work is

at the core, such as a strategic communications unit, research and development teams, and offices of civic engagement.

Foundation Practices

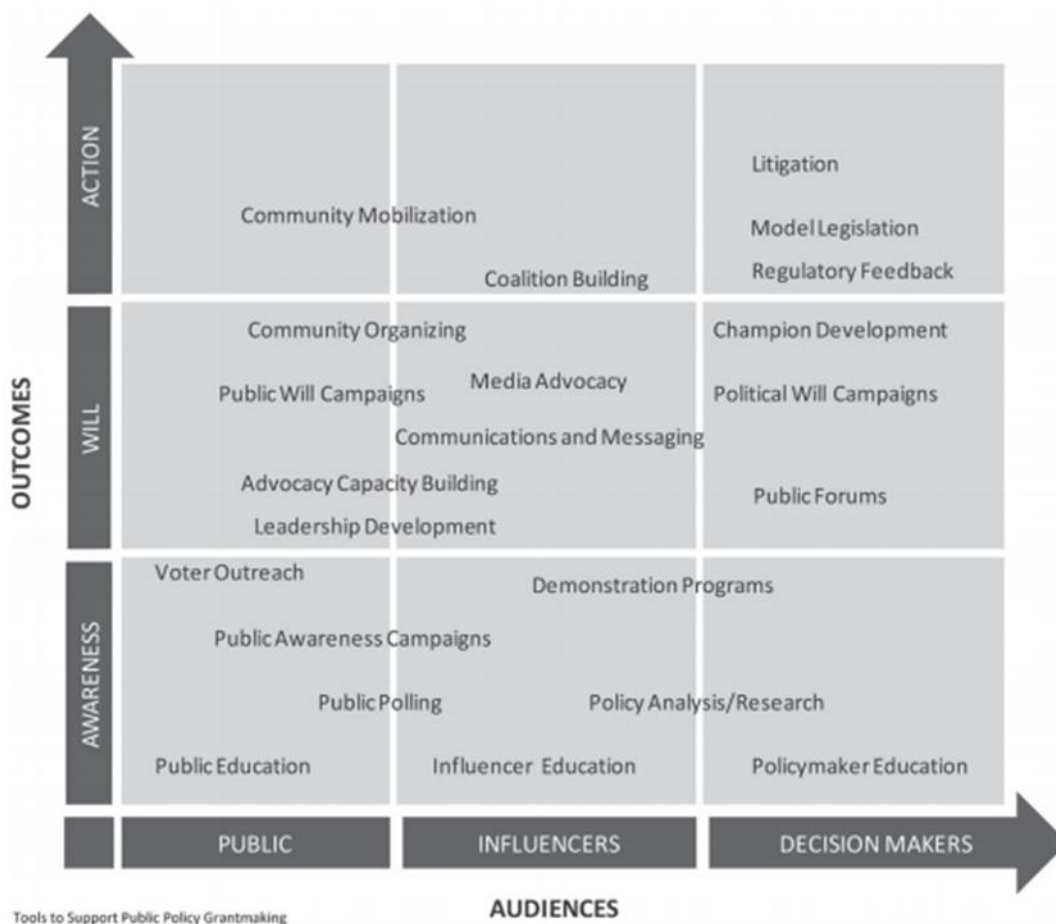
Along with strategic choices about engagement with government and the development of a supporting capacity, foundations also need to adapt foundation practices to execute their work. This begins with grantmaking practices and extends to a number of other areas such as evaluation and collaboration.

Foundation efforts to influence the policy process can be directed in multiple ways such as making the public, influencers, and decision makers aware of issues; building the public will among these groups; and contributing to policy adoption and implementation efforts. These various points of leverage in the policy process – the stages and actors – translate into a wide array of grantmaking practices as noted in Figure 2. Among foundations, the importance of providing operating support to grantees in order to comply with federal law is generally understood today; this enables foundations to fund those who do policy advocacy without violating limits of lobbying. In addition, multi-year support helps to ensure continuity and to build and sustain relationships with grantees. As noted previously, foundations engaged in this work understand that the time frame for realizing outcomes is much longer, perhaps as much as a decade or more, than the typical grant cycle.

As foundations work with a long time horizon, there is an imperative to develop benchmarks and evaluation methods that will provide the foundation the necessary information to assess progress, diagnose when performance falls short, and suggest adaptive strategies. In fact, a number of foundations with a keen interest in policy work have been advancing developmental evaluation and related practices in response to their need for useful and useable information to make changes in response to what is being learned in real time.

While not unique to public policy or cross-sectoral partnership work, collaboration is another practice that becomes critical to success in these approaches. While there are a few issues where a single foundation is willing to be the driving force, there are many more where there are a number of foundations with similar or overlapping interests that can potentially make a bigger difference. There are a range of options about how foundations might work with each other. This may involve sharing information to coordinating the strategies of different foundations so that they add up to an effective approach, or they might entail collaboration where the foundations consciously join forces to act as one voice. This is vitally important in being able to mobilize resources and interests around fundamental change that require multiple approaches. Regardless of how foundations work together, the possibility of achieving impact is enhanced by the scale of the effort.

Figure 2. The Range of Grantmaking to Influence the Public Policy Outcomes



Source: Campbell, M. and J. Coffman. "Tools to Support Public Policy Grantmaking," *The Foundation Review*, Volume 1:3, 2009.

There are a number of lessons that leaders have articulated that help guide them in developing practices conducive for operating in and around government. First, the key ingredient to working at the intersection of the two sectors is relationships, trust and respect. While this is an important aspect of foundation practice in general, it is at a premium when a foundation engages with government officials, especially when there are such sharp cultural differences between the sectors and the power dynamic. Second, the convening power of foundations should not be overlooked or downplayed. Foundations have an ability to bring together various constituencies to forge connection. Third, as policy and partnerships move to the center, the importance of a foundation's assets beyond dollars such as knowledge and networks accumulated from work in communities increases. Fourth, while it is important to develop strategies for this work, flexibility and responsiveness can pay big dividends.

Conclusion

Foundations pursue an array of approaches to engage with government to achieve greater impact. The leaders of California foundations that are gathering in November demonstrate the growing interest and sophistication in understanding the various approaches and recognizing the implications for foundation governance, capacity, and practice. While their pathways to this work are varied, these foundations are working from the outside to influence the policy process and working collaboratively with government to achieve shared goals. While they are mostly focused on particular policy or programmatic areas, they also acknowledge the importance of enhancing the ability to govern and improving public sector performance, especially here in California.

Foundations work various angles to achieve their goals. Sometimes they use multiple approaches simultaneously. In other instances, there is an evolution from one approach to another such as moving from pressuring for policy change to collaborating on policy implementation. Foundations also assume different roles in their engagement with government. Sometimes they choose to work at arms-length in the policy process, and in other cases, they choose to be deeply engaged leveraging their knowledge and connections in addition to their dollars. And while partnering with government implicitly suggests a degree of engagement, there is a considerable range in the intensity of that involvement. Foundations understand that when they engage with government there is no single action that will be sufficient; they will need to adapt to the dynamics of public policy and politics, including responding to opportunities that emerge.

Regardless of the approach, foundation leaders repeatedly underscore that when engaging with government, the time horizon to achieve change is longer, more uncertain, and more risky than the other strategies that foundation undertake. They work with their boards to ensure that there is clarity about their values and purposes, the patience that is required, and the commitment of resources needed. In addition, as engagement with government becomes more frequent and more central to a foundation's work, many of the foundations are building the capacity to undertake it and developing the practices to support it. This trend signals that foundations are not simply investing in the work of others to make an impact – which is important – but also becoming more entrepreneurial in seeking change at the intersection with government.

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