

# The Center on Philanthropy & Public Policy

## **CRITICAL JUNCTURES**

### **Philanthropic Associations as Policy Actors**

**Lucy Bernholz**

**Research Paper - 13  
May 2002**

# **CRITICAL JUNCTURES**

## **Philanthropic Associations as Policy Actors**

**Lucy Bernholz**

**Research Paper - 13**  
**May 2002**

This paper was commissioned by The Center on Philanthropy and Public Policy as part of the project: *Foundations and Public Policymaking*, funded by The David and Lucile Packard Foundation.

Lucy Bernholz: President, Blueprint Research & Design; 720 Market Street, Suite 900; San Francisco, CA 94102

## **ABOUT THE CENTER ON PHILANTHROPY AND PUBLIC POLICY**

The Center on Philanthropy and Public Policy promotes more effective philanthropy and strengthens the nonprofit sector through research that informs philanthropic decision making and public policy to advance public problem solving. Using California and the West as a laboratory, the Center conducts research on philanthropy, volunteerism, and the role of the nonprofit sector in America's communities.

In order to make the research a catalyst for understanding and action, the Center encourages communication among the philanthropic, nonprofit, and policy communities. This is accomplished through a series of convenings and conversations around research findings and policy issues to help key decision makers work together more effectively to solve public problems and to identify strategies for action.

The opinions presented in this paper represent those of the authors and not those of The Center on Philanthropy and Public Policy.

Copyright © 2002 by The Center on Philanthropy and Public Policy

The Center on Philanthropy and Public Policy  
School of Policy, Planning, and Development  
University of Southern California  
Lewis Hall, Room 210  
Los Angeles, California 90089-0626

All rights reserved

Printed in the United States of America

## **ABOUT THE AUTHOR**

**Lucy Bernholz** is the Founder and President of Blueprint R & D, a strategy consulting firm specializing in program research and design for philanthropic foundations. She has worked as a program officer and consultant to foundations for 11 years. As a community foundation program officer she was responsible for developing and managing grant programs in the arts and humanities, community development, education, environment, health, historic preservation, and human services. She also supervised the implementation of special initiatives focused on neighborhood development, lesbian and gay community issues, management assistance, citizenship, and early adolescents. As a consultant, Bernholz has developed grant programs in the arts, education, youth and community development, and the environment for foundations and corporations. Dr. Bernholz has published numerous articles on philanthropy in *Foundation News and Commentary* and has edited collections and scholarly journals. She is currently a research fellow of The Center on Philanthropy and Public Policy at the University of Southern California. She is also on the advisory committee of the National Philanthropic Trust and on the Board of Directors of CompuMentor. She holds a B.A. from Yale University and a M.A. and Ph.D. from Stanford University.

## **Executive Summary**

The recent growth in the numbers of foundations has been matched by a parallel growth in foundation associations. It stands to reason that groups of foundations acting together have the potential to influence the way philanthropy works, the relationship between private funders and the public sector, and the public perception of institutional philanthropy. Foundations and their associations work in many ways to address the policy spheres that directly shape philanthropy (what we will call philanthropic policy) as well as the policy issues that directly connect to their programmatic areas of interest (what we will call public policy).

Several foundation associations have specific interests in influencing both philanthropic and public policy. This paper first draws a landscape of foundation associations. It then presents brief examples of foundations working together on issues of philanthropic and public policy, posits initial observations about the relationships between associations and effective policy work, and identifies areas for additional research and discussion.

The landscape of foundation associations includes industry-wide groups, regional associations, issue and identity-based organizations, and structurally-focused associations dedicated to community, corporate or family foundations. In the work that they do regarding philanthropic and public policy, associations provide important connections – critical junctures – between the public and private sectors. The rapid proliferation and diversification of associations also indicate we are at an important point for the industry. A better understanding of how these associations work, who does what, who represents whom on policy issues, and how the new associations relate to more established ones is critical to understanding how the industry works now, where it is headed in the future, and how it will shape and be shaped by public policy.

These distinctions are important because of the changes underway in philanthropy. Individuals, financial services firms, and other philanthropic purveyors have joined foundations as key philanthropic players. These different entities do not necessarily share the same interests regarding philanthropic legislation or regulation. Similarly, where associations have built capacity to influence philanthropic policy (at the national level) does not account for the many new changes occurring in state law and oversight.

Associations employ several strategies to assist their members on policy issues. Legislative oversight, research, information sharing, relationship building, and direct investment through pooled funds are considered in relation to both philanthropic and public policy. The paper briefly reviews the actions of sample organizations acting at different policy levels – national, state, and local.

At the national level, the Council on Foundations is presented as a membership association with a heavy focus on philanthropic policy. The Council on Michigan Foundations is briefly examined for the work that it does at the state level. A local example is presented in the Bay Area School Reform Collaborative. Several strategies from the Funders Network on Smart Growth and Sustainable Communities and Los Angeles Urban Funders are also discussed.

Currently, foundation associations are well-aligned with policymakers in philanthropy at the federal level, although the creation of new groups may make it difficult for policymakers to know with which organization to work. In contrast, most states do not have a foundation association directly aligned with the policymaking bodies, even as state governments grow increasingly active in terms of regulating charitable activity. While little philanthropic policy is determined at the local level, networks and associations of funders at this level often work on public policy issues and are able to establish strong local ties with important members of the public sector.

The primary contribution of associations in terms of policy is their ability to represent the assets and resources of many actors. The current proliferation of associations may hinder this representation, as it is increasingly difficult to know what organization represents whom. The issue of alignment is also important, as foundations in most states do not have an association focused on state level activity.

Research on foundation associations is in a nascent stage. The paper outlines several areas for future consideration, and argues that the changing nature of the industry and the need to build relationships between sectors makes this point in time a critical juncture for philanthropic associations.

# **Critical Junctures: Philanthropic Associations as Policy Actors**

## **Introduction**

Foundations are infamous individualists. Separate in nature, spawned from a family, a community or a corporation, they are known to be ‘lone wolves.’ This image has much truth to it, but it also belies the fact that formal associations of foundations are abundant, proliferating, and maturing, with several marking or moving past their 50th anniversaries.

These associations have varied histories, purposes, and structures. Some are formal, funded, membership associations seeking to represent the industry of philanthropy to national policymakers. Others are temporal and oriented toward a specific issue. Others (most) are hybrids of these two extremes, focusing on some subsection of institutionalized grantmakers defined by region, issue, identity, structure or some combination of the above.

The recent growth in the numbers of foundations has been matched by a parallel growth in foundation associations. While many of the existing associations added members, foundations seemed almost as likely to create new associations as to join existing ones. The state of the research on foundation philanthropy is itself an emerging field. Our understanding of these associations, their roles, responsibilities, and viability as actors in the industry, is almost nonexistent.<sup>1</sup>

It stands to reason that groups of foundations acting together have the potential to influence the way philanthropy works, the relationship between private funders and the public sector, and the public perception of institutional philanthropy. Foundations and their associations work in many ways to address the policy spheres that directly shape philanthropy (what we will call philanthropic policy) as well as the policy issues that directly connect to their programmatic areas of interest (what we will call public policy).

Several foundation associations have specific interests in influencing both philanthropic and public policy. This paper first draws a landscape of foundation associations. It then presents brief examples of foundations working together on issues of philanthropic and public policy, posits initial observations about the relationships between associations and effective policy work, and identifies areas for additional research and discussion. It is specifically written to complement the other papers being presented at the May 2002 Forum of the USC Center on Philanthropy and Public Policy.

## **A landscape of foundation associations**

Foundation staff and board members develop associations or networks that fall into one or more of the following categories:

- Industry-wide

---

<sup>1</sup> Ralph Hamilton has recently finished a paper for the Funders Network on Smart Growth and Sustainable Communities that also outlines various types of foundation collaboration. See Ralph Hamilton, “Moving Ideas and Money: Issues in Funder Collaboration,” prepared for the Funders Network, Chicago: Chapin Hall Center for Children, 2002.

- Regional
- Issue-oriented
- Identity-oriented
- Structural

The Council on Foundations, a 52-year-old nonprofit membership association, representing more than 2000 private, community and corporate grantmakers holds the most prominent industry-wide position. The Council serves as a general purpose membership association, providing educational, outreach, professional development, legislative and legal services, and an array of publications to its members.

The regional associations now number 29, and cover a variety of regions in the country. Some are organized around metropolitan areas (e.g. Chicago), others serve parts of a state, (e.g. Northern California), several are state-wide (e.g. Michigan), and still others serve multiple state regions (for example, 12 states in the Southeast). Even within this range of configurations, regional associations tend to provide an array of common services such as education, publications, networking, joint grantmaking opportunities, professional development, and local outreach. Their focus on philanthropic or public policy varies widely.

Foundations also organize themselves around issues, such as education, sustainable growth, the arts, or AIDS. There are at least 30 issue-specific associations of foundations that have also signed on as affinity groups of the Council on Foundations. There are several dozen additional associations with less formal structures. The work of these groups ranges from joint grantmaking to issue advocacy, and it is in this last arena that these issue-specific groups can and do act within the policy arena.

Another slice of the associational pie includes groups of foundations organized by the identity of the members. These include racial and ethnic groups (e.g. Hispanics in Philanthropy, Black Foundation Executives) and gender-specific groups (e.g. Women in Philanthropy). These associations often have both institutional and individual members, so they may include one foundation that funds Native American issues and a Sioux staff member of another foundation.

Finally, there are associations of foundations dedicated to serving different structural types of grantmakers. Leagues of community foundations, associations of unstaffed foundations, and organizations to serve family foundations have all appeared in the last decade. Some of these operate on the national level and others focus within certain regions of the country.

These categories of associations make up the general landscape. Many associations cross these categories, such as state associations of community foundations or regional chapters of identity-based associations. In addition, there are several alternative and informal types of foundation associations. These, which may be focused on a single project or joint funding effort, or merely represent like-minded colleagues gathering for a meal and idea exchange, are not to be discounted within the overall landscape. These are important incubators for established associations to come (almost all RAGs got their start as informal luncheon groups). They also provide potential networks of contacts for policy influence or other action.



## Two landscapes: philanthropic policy and public policy

Foundations associate in many ways for many ends. Our focus is on the ways in which they address philanthropic and public policy. This paper employs two broad but distinct classifications of policy: first, philanthropic policy that is the set of regulations and laws governing charitable giving. Second, public policy, a term we will use to encapsulate the public legislation, regulation or oversight within the issues of concern to philanthropy, such as the environment, social justice, community development, education or health care.

### *Philanthropic policy*

Institutional philanthropy is regulated as part of the federal tax code; it is subject to oversight by state departments of corporations and attorneys general and, in many if not all states, is subject to state tax law as well. The first myth to be dispelled is that of the independent, unregulated industry – institutional philanthropy falls within the purview of the legal and regulatory statutes overseeing tax-exempt organizations.

The exemption from federal income tax that applies to public charities is further refined and additional limitations set for the operation of private foundations. These restrictions fall within the broader tax exemption frame, and include limitations on self-dealing, requirements on annual distributions, limitations on private business holdings and investments, and provisions that the organizations expenditures are to advance the foundation's tax exempt mission. In addition to the above, there are public reporting requirements, excise tax issues for private foundations and public support tests for public grantmaking charities.<sup>2</sup>

State laws also regulate foundations, and can vary significantly on issues such as compensating board members or having family members on the staff of a family foundation. Just as commercial entities do, many individual foundations carefully select the state in which they incorporate to assure the most favorable regulatory structure to achieve their purpose.

Given this web of regulations, it is clear that grantmaking foundations, which exist as a product of the public policy framework and as entities in the public trust, have a strong vested interest in an array of public policy issues. However, even this web is really only a piece of a larger puzzle.

### *New actors*

Much has been written about the changing nature of philanthropy, the advent of commercial competitors offering charitable options, and the rise of ePhilanthropy.<sup>3</sup> While we tend to view these charitable vehicles as tools for individual philanthropy, they are, in effect, bringing new institutions onto the playing field of organized giving. With these new players comes the need to consider a broader array of philanthropic policy issues. For example, the growth of commercial financial service products aimed at charitable giving has been a focus of decision making at the

---

<sup>2</sup> Anthony Mancuso, *Eguide: Nonprofit Corporations: Qualify for Federal Income Tax Exemption*, Berkeley, CA: Nolo Press, Inc., May 2001, pp 17-18.

<sup>3</sup> See, for example, ePhilanthropy v2.001: From Entrepreneurial Adventure to Online Community, The W.K. Kellogg Foundations, [www.actknowledgeworks.net](http://www.actknowledgeworks.net).

Internal Revenue Service for the last decade. Traditional philanthropy, including community foundations, fundraising professionals, and private foundations, eagerly responded to calls for public comment on the regulations of these entities.

At the same time, the financial services firms also rallied their industry associations to the call, seeking to influence a regulatory decision favorable to their growing businesses. This is just one well-known example of the entry of new viewpoints into the public policy debate about philanthropy. It heralds an important change in the field – the divergent public policy and regulatory agendas of the different factions in the philanthropic industry.

These divergent viewpoints come into play on some of the key policy issues now lurking on philanthropy's horizon. These include proposed new regulations on financial need of charity recipients, the role of the public sector in advising or requiring philanthropic coordination, the relationship between excise taxes and administrative expenses, the elimination of the itemization requirement for tax deductions on charitable giving, and the proposed new eligibility for faith-based institutions as publicly funded social service providers. However, organizing the interested parties to these changes is not easy.<sup>4</sup>

### *Individuals and institutions*

In addition to the new organizational actors, philanthropy is increasingly a mix of individual and institutional action. Personal charitable giving has always dominated the landscape, often accounting for more than 70 percent of all donations. Foundations account for only a small piece of the giving pie.<sup>5</sup> This imbalance has led many foundations to design grant programs with the express purpose of securing additional funds for sustaining the effort from individuals. Such strategies often require new ways of sharing information with new audiences.<sup>6</sup> These new relationships between individual giving and foundation giving are only just now being recognized by the industry.<sup>7</sup> They are important from a policy standpoint for a number of reasons.

First, donors are creating foundations while they also use other tax vehicles for their giving. In analyzing charitable gifts to universities in 2000-2001, the Rand Corporation noted that "...an important point to make about personal giving over all...Each year, more and more of it is filtered through organizations such as foundations, charitable gift funds and the like."<sup>8</sup> Many individual philanthropists have a lifetime of giving ahead of them. During that time, they will strive to match their giving vehicles with distinct charitable purposes. In doing so, they will

---

<sup>4</sup> See Senate Bill 1300, Foundational and Corporate Charitable Giving Incentives Act of 2001, introduced by Senators Santorum and Lieberman.

<sup>5</sup> In 2000, for example, The American Association of Fundraising Council reported that individual giving accounted for 74.7 percent of the \$203.45 billion in charitable gifts, and foundations (corporate and non-corporate) made up just over 17 percent of that total. Press Release, May 23, 2001, [www.aafrc.org/press3.html](http://www.aafrc.org/press3.html).

<sup>6</sup> For example, many foundations help their nonprofit partners add "donate now" capability to their websites, other expressly seek to build the nonprofits capacity to increase individual giving, and other private foundation initiatives are set up through community foundations with the express purpose of raising ongoing support from the community foundations' donor base.

<sup>7</sup> See Lucy Bernholz, *Comparison Shopping*, Washington, D.C.: The Council on Foundations, 2001.

<sup>8</sup> Stephanie Strom, "Universities Report Record in Private Contributions," *The New York Times*, March 22, 2002

view their foundations as only one piece of a portfolio of giving. From a policy perspective it is important to remember that donors vote. Foundations do not. Any individual donor's support may be strongest for legislation that maximizes overall individual tax benefits, not necessarily those that benefit foundations.

Second, the relationship between individual and institutional tax law becomes increasingly important. There is a universe of estate tax law that is coming into play for institutional philanthropy. Savvy philanthropists are carefully employing individual tax strategies to maximize their efficiency in creating new foundations. For example, extremely large bequests to foundations are now being siphoned through charitable trusts for a period of time to allow adequate time for staffing and strategy development before foundation 'payout' requirements kick in.<sup>9</sup> This effectively broadens the policy landscape of concern to foundations.

Third, the increasing public awareness of institutional philanthropy in the last few years raises the stakes on public reporting by foundations, indeed on all tax-exempt organizations. The list of interested audiences for reports from foundations and nonprofits includes current and potential donors, wealth advisers, media, government officials, community activists, nonprofit managers, and the general public. The Internet has created a general societal expectation about information access that calls for faster and easier availability in all sectors. At the same time, high-profile corporate bankruptcies coupled with front-page nonprofit scandals about uncoordinated relief efforts and potential reallocation of funds only increases skepticism about nonprofit organizations and foundations and fuels moves for greater industry oversight. Currently, the public reporting requirements for individual and institutional giving are quite different. As public awareness, scrutiny and expectations all increase, state and federal policies regarding reporting requirements (type, frequency, and availability of information) for both institutional and individual giving are likely to be challenged.

### **Foundation associations and public policy**

Foundations are one focus of philanthropic policy. A web of policies at the national, state and local level influences individual giving and foundation structures, strategies, and rate of proliferation. In contrast, public policy is one possible focus for philanthropic investment. Within the context of their attempts to improve health, education, or the environment, foundations may invest in policy research, public awareness or education, and joint action on policy development.

Associations of foundations can assist in addressing public policy in several ways. They may serve as information clearinghouses on current and pending regulatory issues in land use, pollution credits, or financing for jails. Some associations have developed robust online databases to allow members easy access to updated information on national and state policies relevant to their work. Other associations routinely host workshops or roundtables with policy experts or researchers to help their members stay current on these issues. Foundation networks also can serve as direct conduits of grants to work with school district leaders, state health officials, or other policy leaders. Associations also may provide a joint funding pool for public

---

<sup>9</sup> See, for example, the Gordon and Betty Moore Foundation in San Francisco.

awareness campaigns or for the development of new school or transportation policies within a municipality.

### **Aligning associations and policy mechanisms**

Foundation philanthropy is a regulated industry. As such, foundations, like media companies, auto manufacturers, toymakers, and medical professionals, have banded together to represent the interests of their constituent members before the regulating bodies. For the most part, this work occurs at the national level, and representation of the industry to congress, the IRS and other lawmakers has been the purview of the Council on Foundations. The Council has a major investment and focus on policy issues, fielding a government relation's staff and managing a legislative affairs network.

The regional associations, on the other hand, vary tremendously in the degree to which they address policy issues in formal way. Some RAGs are quite active on matters of policy or legislative relations. For the most part, however, policy is a secondary concern for regional associations.<sup>10</sup>

Though the national and regional associations share similar missions of promoting effective philanthropy, the degree of focus on public policy is significantly different at the national and regional levels.

This divergence in mission from the national level to the regional level has made sense in the past, as much of the legislation and regulation that mattered to foundations was federal in nature.

While the IRS remains a key regulatory body, state tax boards and legislatures are increasingly important players in the operation of philanthropy. This trend accelerated in the past decade through the course of development of conversion foundations, which were addressed by state attorneys general and departments of corporations. State laws regarding charitable operation, and charitable exemptions also have been changing recently, with more and more states offering charitable tax deductions, changes in laws regarding community philanthropy, and state-level regulation of financial service firm's charitable products.<sup>11</sup> Recent tragedies in Oklahoma, New York, Virginia, and Pennsylvania also highlight the role that state attorneys general can – and will – play in regulating philanthropic giving and working to insure coordination, public reporting, and adherence to standards.<sup>12</sup>

Although the Council on Foundations is the only existing membership association focused on philanthropic policy, it does have peer organizations in the broader nonprofit sector. Other

---

<sup>10</sup> A quick scan of the websites for the 29 RAG members of the Forum on RAGS reveals that only six of them *highlight* public policy, government relations or legislative affairs as part of their work. The six that note these services at the top level of services provided are Associated Grantmakers of Massachusetts, The Donors Forum of Ohio, Council of Michigan Foundations, Northern California Grantmakers, Philanthropy Northwest, and Washington Regional Association of Grantmakers.

<sup>11</sup> North Carolina and Montana, for example.

<sup>12</sup> For more on the role of the state attorney general in overseeing charitable giving following the September 11 tragedies see “Collaborative Charity,” *The New York Times*, October 15, 2001 and David Barstow, “Victim’s Families Lack Voice in Effort to Coordinate Relief,” *The New York Times*, December 14, 2001, A1, B7.

organizations, such as Independent Sector, the National Council of Nonprofit Associations, and the National Center for Responsive Philanthropy, and others, also maintain active policy initiatives.<sup>13</sup> However, these organizations (even those with statewide affiliates) are primarily focused on the national level. As states become ever-more important actors in regulating philanthropy, the question arises: is the landscape of philanthropic policy agents out of alignment with the policy arenas in which representation matters?

### **A panoramic view**

“One can describe a landscape in many different words and sentences, but one would not normally cut up a picture of a landscape and rearrange it in different patterns in order to describe it in different ways. Because a photograph is not composed of discrete units strung out in a linear row of meaningful pieces, we do not understand it by looking at one element after another in a set sequence. The photograph is understood in one act of seeing...”<sup>14</sup>

The vitality of the philanthropic industry may depend most on considering the landscape of foundation associations as a whole, and not by its constituent pieces. The landscape as it relates to policy contains all of the types of associations noted earlier, as well as the independent organizations that focus on policy, and the temporal issue-based coalitions of foundations. As we try to understand the overall story of foundation associations it is this broadest picture – the widest view – that will be most important. This is because we know that many foundations are members of many associations, that most foundations are members of no associations, and that we cannot, at this time, account for either the duplicates or the non-participants. This broadest view allows us to consider the overall role of associations regarding philanthropic policy.<sup>15</sup>

However, in trying to better understand the relationships between types of associations and philanthropic policy, we are going to slice through the photo in two ways to provide greater detail. First, we will take panoramic snapshots at the levels of the three major policy arenas: national, state and local. We will then ‘zoom in’ on each of these levels to look closely at examples of associations working on policy issues.

#### *The national perspective*

At the national level, the landscape is dominated by industry-wide organizations, structurally specific associations, and identity or issue-based collectives. Key industry-wide players on the national landscape include the Council on Foundations, the Foundation Center, and Independent Sector. These three provide data and research on the industry, advocacy on the national level, and key trade publications. Of the three, only the Council on Foundation limits its membership

---

<sup>13</sup> There are still additional organizations that need to be considered. Some of these, such as The Foundation Center and The Aspen Institute are primarily research organizations. Others, including academic research centers such as the USC Center on Philanthropy and Public Policy, are also taking on more prominent profiles on the landscape.

<sup>14</sup> Joshua Meyrowitz, “The Blurring of Public and Private Behaviors,” *No Sense of Place: The Impact of Electronic Media on Social Behavior*, Oxford University Press (1985).

<sup>15</sup> This question of how to overlay the totality of foundation associations with the universe of foundations is a pre-eminent research question. Simply mapping the universe of associations – who they are and who are their members - is a critical first step to take.

to grantmaking organizations or operating foundations. The Foundation Center's key audience is nonprofit organizations and Independent Sector has both nonprofit and foundation members. Together, these groups are sometimes referred to as the infrastructure of philanthropy.

Also operating at the national level are several structurally specific organizations, such as the Association of Small Foundations, the National Center for Family Philanthropy, and Community Foundations of America. All three of these organizations were formed in the 1990s, and all serve constituencies once (and still) served by the Council on Foundations. Fueled by recent growth in these sub-sectors, each of these organizations developed to serve the specific needs of their membership. The Association of Small Foundations, which was both the fastest growing membership association and became the country's largest group in the late 1990s, serves foundations with few or no staff. These are estimated to constitute the majority of all foundations in the United States and to provide half of all American foundation grant funding.<sup>16</sup> The National Center for Family Philanthropy is a resource center for donors, donor families and family foundations.<sup>17</sup> Community Foundations of America is a select group of community foundations that develops joint products, provides common purchasing possibilities, and shares resources among members.<sup>18</sup>

The national level also supports issue-based and identity-based associations. Affinity groups of the Council on Foundations usually draw members from across the country. At least two national associations serve foundations that share common philosophies. The Philanthropy Roundtable serves a membership of foundations, trust officers and individuals who value a vibrant private sector for its contributions to both voluntary service and wealth creation.<sup>19</sup> At another point on the political spectrum, the National Network of Grantmakers is a membership association for individuals (many from foundations) who fund economic and social justice.<sup>20</sup>

### *The regional perspective*

RAGs have been part of the philanthropy landscape for decades, dating back to the late 1940s. Many got their start as informal networking associations of foundation executives. Their services now include networking, professional development, grantmaker directories, joint funding opportunities, and in some cases, policy analysis and advocacy on behalf of their membership. A formal network of these associations, called the Forum of RAGs, operates at the national level.<sup>21</sup> The Forum has 29 members, and coordinates national programming such as the New Ventures in Philanthropy Initiative, an effort to promote philanthropy through RAGs.

The variety of configurations within the regional associations, however, diminishes the degree to which public policy can be a focus of their work. Only those that operate at the level of a single state are actually aligned with any meaningful public policy structures. Multi-state and sub-state

---

<sup>16</sup> [www.smallfoundations.org](http://www.smallfoundations.org)

<sup>17</sup> [www.ncfp.org](http://www.ncfp.org)

<sup>18</sup> There are more than 100 members of CFA and more than 650 community foundations nationwide. [www.cfamerica.org](http://www.cfamerica.org)

<sup>19</sup> [www.philanthropyroundtable.org](http://www.philanthropyroundtable.org)

<sup>20</sup> [www.nng.org](http://www.nng.org)

<sup>21</sup> [www.rag.org](http://www.rag.org)

regional associations tend to have either too much territory to cover to actively work with state policymakers or too small a voice to be heard at the State Capitol.

### *The local perspective*

At the local level, associations tend to be temporal, issue-specific, and structured as collaborative efforts, not membership groups. Examples of these efforts include a coalition of private and community foundations jointly addressing naturalization needs or the Seattle area September 11 Task Force, which brought together foundations and individual philanthropists to share information, coordinate strategies, and assess needs related to three areas of interest following the terrorist attacks.<sup>22</sup>

These groups often operate underneath any existing radar screen. Some of them, such as the Funders' Learning Community within the Bay Area School Reform Collaborative, are dedicated to a single issue. Their work may focus on joint funding or initiative development. Through this issue-based work, policy matters specific to the task at hand are often considered. One of the key strengths of these joint funding collaboratives is their expanded ability to consider and work on policy issues, a task that is often beyond the capacity of individual foundations.

Though they are not formal associations, understanding the role of these groups in the policy landscape is important for other reasons as well. First, they are trust-building resources. Foundation staff, board members and individual philanthropists build their networks through these efforts. Second, they are seed grounds for future, more formal associations. Third, the expanded capacity of the group can reinforce a foundation's commitment to other groups, help them to recognize the power of the collective, and alert them to policy issues (philanthropic and otherwise) of which they might not otherwise be aware.

Many of these temporal, issue-based collectives have some connection to a RAG. Many are housed within the RAG, some emerge and move out of the RAG, and others manage their giving or arrange 'pass-through' grants using the RAG infrastructure. The degree to which the RAGs control these groups, or even recognize the organizing potential that they represent, is uneven. The potential exists for these kinds of groups to add tremendously to a RAG's capacity, to help build membership, and to form the basis of a constituency should policy issues call for mobilization. Unmanaged, however, these groups also have the potential for 'eating up' a RAG from within, siphoning off the energy of members, and actually growing up through and taking over part of the RAGs membership.

Another rapidly expanding feature of the local landscape is the proliferation of Social Venture Partnerships. Started in Seattle, these now number more than 20 and can be found in metropolitan areas around the nation. They operate independently, but also are joined through a national federation coordinated out of the Seattle office. In addition to the formal SVP networks, there are several other giving circles operating in other ways, such as Social Ventures Silicon Valley (SV2), which operates out of Community Foundation Silicon Valley.

---

<sup>22</sup> September 11 Task Force memo.

These local giving circles are primarily focused on donor development and education. However, as they have grown in size and scope, they have become viable and active members of certain local philanthropic communities, holding places at the “local funders’ tables.” They also tend to be very well organized, make effective use of technology for communications purposes, and have individual members with both business and occasionally policymaking backgrounds. The proliferation of these groups calls on us to consider them as part of the landscape, and to learn more about how they may or may not participate as policy actors.

One key exception to the structures noted above is the sub-state RAGs, which we are defining as local in nature. These RAGs share much in common with their peers at the statewide or multi-state level, and the Forum of RAGs considers them all of a type. We have separated them out from the statewide and multi-state RAGs because of the differences a sub-state regional focus places on the RAG’s capacity to act on policy issues. Clearly, a metropolitan area RAG has the potential to galvanize local funders and connect them with local policymakers. Whether or not a sub-state RAG can work effectively on state tax or regulatory issues (especially if there is more than one RAG in a state) raises other questions.

**Table 1. The landscape as a whole**

This table displays the relationships between the focus of the work of foundation associations and the arena of that work (or the area from which the group draws membership). Groups or associations indicated in each category are intended as examples only. This is not an inventory.

Focus of work	Arena of work/membership		
	National	Regional (statewide or multi-state)	Local (sub-state region)
Industry-wide	Council on Foundations Foundation Center Independent Sector		
Regional	Forum of RAGs	Regional Associations of Grantmakers	Several RAGs
Issue-based	Affinity groups (the arts, education, health)	Foundation Consortium for School Linked Services	Bay Area School Reform Collaborative
Identity-based	Ethnic, race, gender	Chapters of some identity-based groups	Chapters of some identity-based groups
Structural	Association of Small Foundations National Center on Family Philanthropy Community Foundations of America National network of SVP	League of California Community Foundations	Social Venture Partner Networks
Other/Hybrid	Philanthropy Roundtable		Luncheon groups



	National Network of Grantmakers		
--	---------------------------------	--	--

## Zooming in

To better understand the ways in which associations act in policy arenas it helps to consider three examples. This section focuses in on three organizations, each operating at a different policy arena, national, regional, and local (sub-state), and provides a brief introduction to their philanthropic policy activities.

### *National - The Council on Foundations*

The Council on Foundation's status as the 'grandmother' of all foundation associations can be seen in its longevity, its consistent representation of more than 50 percent of all foundation assets, and its role as birthplace for many of the other newly-formed national associations. It also serves as the coordinating point for dozens of issue-based or identity-based affinity groups.

The Council has a dedicated focus on philanthropic policy. It is located in Washington D.C. primarily because of its commitment to government relations on behalf of grantmakers. Its membership covers all structural types of foundations and includes some international representation. It does not include individual philanthropists as members.

The Council provides its members with legislative analysis, legal counsel, policy advocacy, and a seat at the table with policymakers and the associations that represent the broader nonprofit industry. It manages its policy work through a professional staff, board committees, a Legislative Action Network of members, and policy briefings for its members. It takes positions on legislative, regulatory and tax issues on behalf of its members. The Council often submits comments for congressional review, responds to requests for public input on regulatory proposals, and briefs individual members of the House and Senate.

### *Regional - The Council of Michigan Foundations Public Policy Initiative*

The Council of Michigan Foundations (CMF) is one of only 10 single-state, statewide RAGs in the Forum of RAGs network. In addition to the member services, professional development, publications, and joint funding opportunities that it offers its members, CMF also provides an array of services focused on policy issues. These services include the Michigan Public Policy Initiative, Annual Capitol Hill visits, workshops and briefing for legislators and policymakers, and philanthropic policy research such as a recent study on foundation payout. The Council also provided a statewide download site for the White House Conference on Philanthropy in 2000. A new effort, "legislative connections," is in the planning stages. As part of this initiative, the Council will help foster one-to-one relationships between foundation staff or board and state representatives.

The Michigan Public Policy Initiative is a four-year old effort to educate newly elected term limited legislators on the public policy issues that directly impact Michigan's nonprofit

organizations.<sup>23</sup> At various points in the past, although not now, CMF also has organized meetings between foundation representatives and the State Attorney General. The Council is known for being proactive where policy matters are concerned. It recognized the educational challenges for policymakers that term limits create, and activated its network to build relationships with new legislators. The Council is active at the national level through the Forum of RAGs and also takes advantage of numerous opportunities to engage in international exchange as well.

### *Local – The Bay Area School Reform Collaborative*

The Bay Area School Reform Collaborative (BASRC) is one of several “Annenberg Challenges” around the country. The Bay Area version, which is led by both the Annenberg and Hewlett Foundations, focuses on school reform in several counties bordering San Francisco Bay. While much of the work is focused on direct change efforts within individual schools, the collaborative also emphasizes reform of school district and county education policies. As such it has, three main areas of activity: informing BASRC schools and funders about state policy, helping to create policy contexts that will assist the implementation of BASRC school reforms, and informing policy leaders about successful school change strategies.<sup>24</sup>

BASRC maintains several learning communities, one of which focuses on funders. This community, which includes representatives from dozens of foundations, hosts learning sessions on system reform, jointly investigates school improvement strategies, and holds occasional institutes for the broader Bay Area philanthropic community. This local network serves as an information source on local school policies. Its links to the national network of “Annenberg Challenge” communities also provide members with resources on federal education policy and initiatives nationwide.

The work of the Collaborative does not directly focus on philanthropic policy. In this way it is quite representative of most local funder networks. What it does do is help create relationships between the sectors, facilitate an understanding of the process and priorities on both sides of the table, and educate foundation executives about public policy related to schools. It also provides a robust network of grantmakers with experience considering public policy as part of their work. These same characteristics can be found in networks focused on the environment, community development, sustainable growth, health and other issues.

### *Associations and public policy*

These three levels of analysis – national, state, and local – plus an international lens, are important for considering the role of foundation associations and public policy. Several of the strategies identified above regarding philanthropic policy are also key to associations work on public policy: information gathering and dissemination, pooled funding, meetings with researchers, policy experts, and policymakers, and public awareness campaigns. Associations offer individual foundations interactions with policymakers that they may not be able to access

---

<sup>23</sup> <http://www.cmif.org/legislativepage.htm>

<sup>24</sup> [www.basrc.org](http://www.basrc.org). See the information on the Policy Change Project.

on their own. Associations and networks of funders also represent greater potential resources for the issues at hand than any single foundation brings to a discussion.

## **Critical junctures**

The last decade has seen tremendous change in the simple, national/regional structure of foundation associations. At the national level, several new associations formed in the 1990s. At the regional level, the growth of formal and informal associations also has been quite rapid. Accurate data on sub-national associations are very hard to find.<sup>25</sup> Anecdotally, we know that applications for membership in the national network of regional associations (the Forum of RAGs) have been on the increase and also reflect a wide variety of institutional structures and maturity.<sup>26</sup>

What is striking about this growth and diversification of associations is that it represents both a coming together and a fragmenting of the foundation industry. Foundations band together, but they seem to be doing it in ever more specific (and perhaps temporal) ways. Large umbrella associations such as the Council have experienced splintering efforts that have led to new organizations for community foundations, small foundations, and family foundations.

In addition to the splintering process that marked the 1990s, each of the regional associations and national organizations has several sub-groupings within their bounds. Many RAGs, for example, host working groups on certain issues, or have identity-based sub groups. This type of sub-association is interesting, as they seem to be the groundwork for splinter groups down the road.

Even as the number of associations expands, their cumulative reach does not seem to extend very far. While disaggregated data on membership across all associations is not readily available, we estimate that formal associations of all types noted above account for probably no more than 10,000 separate foundation members.<sup>27</sup> This means that, taken together, known associations represent less than 20 percent of all foundations in the country. Since there are more than 58,000 foundations in the United States, no single association can claim to speak for the majority of the industry. Even taken as a whole, the associations of foundations are barely representative of the universe of foundations.<sup>28</sup>

## **Geographic alignment**

---

<sup>25</sup> The Forum of RAGs managed an initial scan of funder networks in 2001. Preliminary data and analysis are available by contacting the Forum.

<sup>26</sup> Allison Wiley, Director, The Forum of RAGs.

<sup>27</sup> This is a very generous estimate, as the duplication of membership from RAGs to the Council to affinity groups, and even other structural associations is estimated to be significant. This figure, 10,000, represents a simple addition of available membership lists and does not attempt to account for the expected duplication. Noting the likely duplication, the actual number of foundations that participate in these associations would be lower.

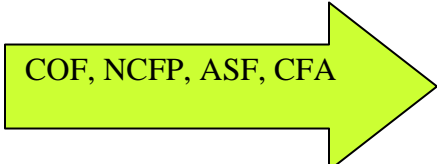
<sup>28</sup> This observation tends to be countered by the larger associations who measure their representational level by value of foundation assets held in their membership. For the Council on Foundations, which has as its members a significant number of the nation's largest foundations, this measure is quite high, generally the Council's membership represents approximately 60-70 percent of all foundation assets.

Just as policymaking occurs at many levels (national state, and, local), foundation associations come in a variety of geographic constructions.<sup>29</sup> On issues of philanthropic policy, we have noted a proper alignment of significant policy monitoring and analysis capacity at the national level, in line with the role of the U.S. Congress and the Internal Revenue Service in philanthropic regulation.

We also have noted that there is much less capacity for this work at the state level, even though all states have some regulatory oversight of philanthropic giving. Of the six regional associations of grantmakers that emphasize policy, government relations or legislative action in their own materials, only three are organized to serve a single, entire state. Two others serve multi-state regions and the fifth serves a sub-state area. Foundations in 47 of the 50 states are either being served by associations that do not emphasize policy or by RAGs that are not aligned with the current state level policy arena.<sup>30</sup>

While most philanthropic policy is enacted at either the national or state levels, there are municipal decisions and policies that can profoundly influence the actions of local philanthropies. This influence is most likely to fall within a program area, not within the realm of overall philanthropic operations. For example, a dedicated city department with mandated funds for children's issues may influence the activities of funders in that county regarding youth services. City arts taxes may shape the ways local funders allocate arts dollars. Both of these examples are also indicative of the role funders can play in local policymaking. In both such instances, it is also possible that local foundations can influence the creation of these municipal supports.

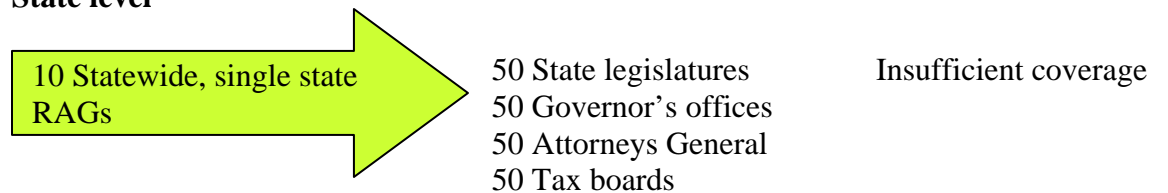
**Table 2. Aligning associations with philanthropic policy**

National level	Philanthropic policy body	Alignment issue
	IRS Congress Executive Branch	Fragmentation

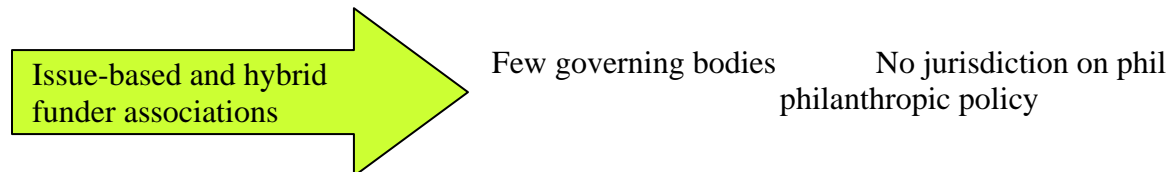
<sup>29</sup> Ferris and Mintrom, 2001.

<sup>30</sup> There is a growing movement toward regional thinking and policy action. In California, for example, the California Policy Forum brings together regional leadership initiatives, policymakers, citizens and others to address land use, transportation, fiscal and governmental policies that cannot be addressed adequately at either the local or state level. This type of work is funded by foundations, but is not being conducted by their formal associations. Ironically, the growing awareness of regional thinking may eventually work to the advantage of the existing associations of grantmakers. However, it is hard to imagine rapid change if we expect the policy arenas to become more regionally structured faster than the existing regional associations could change their structures. Data from Forum of RAGs. [www.rag.org](http://www.rag.org), 2000.

## State level



## Local level



These same issues of alignment need to be considered vis-à-vis foundation associations and public policy. The alignment of governing bodies and associational presence will vary from issue to issue. In education, for example, local bodies that can work directly with district or state officials may offer more impact for foundation associations. On climate or water resource issues, an international perspective may be necessary.

## Why associations matter

Associations are potentially important tools for foundations as policy players because of the limitations on individual foundation action. As Ferris and Mintrom explain, individual foundations are prohibited from lobbying. Associations of foundations, however, are generally organized as 501 (c)(3) nonprofits, and therefore have broader latitude for advocacy and lobbying.<sup>31</sup>

However, traditional membership associations are not the only options. As noted above, foundations also support organizations such as Independent Sector or the National Center for Responsive Philanthropy that maintain active policy monitoring roles. Some foundations may join as members, others provide direct operating support. While these organizations have members, they are less focused on member services and more centered on policy and research as their core activities.

It is critical to consider different types of associations – independent organizations and temporal, issue-based foundation networks – and their potential as policy actors. Independent organizations have dedicated voices and resources to policy issues. They will be the ones with the longer-term legislative and regulatory knowledge and relationships.

Issue-based networks have shown great resourcefulness in acting on various public policy issues. Issue-based associations of foundations are the greatest in number now, and seem to be growing

---

<sup>31</sup> James Ferris and Michael Mintrom, *Foundations and Public Policymaking: A Conceptual Framework*, Los Angeles: University of Southern California, 2001.

most rapidly.<sup>32</sup> They are the forums in which foundation board and staff meet on programmatic issues of concern, and may ‘cut their teeth’ on collaborative work and policy analysis. They are often the groups that new funders seek out first.<sup>33</sup> They are the basis of trust-building and network creation that foundations will need to employ when it comes time to act on pending legislation or regulatory change.

While we are not currently aware of non-membership-based associations of foundations focused on philanthropic policy, they have come and gone in past moments of public oversight or attention. As the industry diversifies, it is not difficult to imagine the creation of a network of foundations – or a more representative set of private grantmakers – that will take on philanthropic policy as its focus.

### **Degrees of influence**

It is important to determine where the potential for foundation associations lies as far as becoming policy actors. On the face of it, an association clearly expands on the ability of individual foundations simply by bringing to bear on an issue ‘the power of many.’ However, the proliferation of foundation associations may cause a backlash effect, as policymakers need to determine which association speaks for which elements within the philanthropic industry. The very existence of so many associations – coupled with the cumulative low penetration rate of all membership associations - may diminish the power of all, for clearly no one association represents the entire industry.

For an association to be an effective policy actor, the commitment to policy analysis and representation will have to be at a high level and a consistent focus. Relationships need to be built with policymakers, staff capacity in analysis supported and developed, and membership interests defined and articulated. Associations that do not make these commitments of focus and persistence may find that their only real role in the policy sphere is as an address book or email listserv to reach the potential constituents.

It also is important that the sphere of influence of any given association be aligned with the policy arena in which it portends to have influence. Sub-state RAGs may wield great influence at the municipal level, and be able to draw together funders and county level government leaders very quickly. Such strengths make them viable players in helping their membership address issue-based policy matters. However, the municipal level is rarely a factor in effecting philanthropic policy. Even local arts taxes or children’s’ funds effect the issues on which foundations work more than the regulatory nature of their industry.

Statewide RAGs are best aligned with the policy arena of attorneys general, departments of corporations, and state tax boards. National organizations are best aligned with the IRS and congressional committees with oversight of the tax and reporting codes. Having a properly aligned infrastructure will be key for the industry as major policy and regulatory challenges come along. This was true in the 1990s during the rapid growth of conversion foundations. It

---

<sup>32</sup> More research is needed. This conclusion drawn from initial research conducted for Forum of RAGs.

<sup>33</sup> Again, more research is needed, but the issue sub-groups of RAGs have many new funders members – many join the larger philanthropic community through this programmatic interest doorway.

may be true in the 21<sup>st</sup> Century if major challenges to reporting requirements or payout come along, new types of conversions start to take hold, or the growth of the commercial philanthropic sector continues to attract regulatory scrutiny.

### **The limits of associations**

While the power of many may seem, at first glance, to outweigh the power of the few, this may not always hold true for membership associations. Membership associations must, by definition, serve their members. As they are often dependent on dues for revenue, growing the membership base is a key goal of most membership associations. As their memberships grow, the ability to serve the different types or to find a common policy voice becomes increasingly difficult. This is especially true in an industry as disparate as philanthropy, with many structural types, areas of focus, and operational preferences.

Membership associations that align with policy arenas effecting philanthropic policy and that have made significant commitments to building their capacity as policy actors can succeed. In other instances, there may be other types of associations that can move more quickly or employ policy tools other than just the representative voice of a membership group that have roles to play in shaping philanthropic policy. For example, the ability of a select group of foundations – dedicated to acting on certain policy issues – may be more effective because the group can speak with a single voice, its members may be able to acquire the access they need to key policymakers, and they can remain focused.

Another challenge for foundation associations is the interdependent nature of philanthropy. It is part and parcel of the nonprofit universe. Its members work across every facet of social concern and in every corner of the civic, scientific, educational, environmental, and health worlds. Many of its practitioners remain active in professional and corporate spheres. It is, in essence, interconnected in many ways and in many directions, and determining the limits of the policy realm is no easy task.

This interdependence also can be seen in the (changing) relationships between individual and institutional philanthropy. Individual donors may not favor policy programs that benefit foundations over those that benefit a broader range of charitable vehicles, because the individual may have vested interests in all of the vehicles. As commercial firms grow ever more active in the philanthropic sphere, they bring to bear not only their expertise in product development, marketing and customer service, but they are also likely to be supported by the commercial firm's government relations staff or the political connections of top management.

### **The future of associations**

Several foundation associations have taken time in the past year or so to consider the future. National organizations, regional associations, and groups formed along both identity and issues have been actively involved in 'futuring' and strategic planning. Associations outside of

philanthropy, and even associations of associations also have been trying to identify key leverage points for the future work.<sup>34</sup>

In work done with the several foundation associations over the course of 2001 Blueprint Research & Design identified several key trends that these organizations need to consider as the move into the next century. These include the rapid growth and diversification of philanthropic organizations, changing expectations about information and communication, the role of the media and growing levels of public awareness, and the growth in secondary industries (research organizations and consultants) serving foundations.<sup>35</sup>

Driven by these trends, existing foundation associations are altering business as usual, and new associations are coming into play. Foundation associations are considering alternative forms of revenue beyond membership dues, they are investing heavily in knowledge sharing tools and communications models, and some are opening their doors to new types of members.<sup>36</sup> Based on preliminary research conducted for the Forum of RAGs and the Charles Stewart Mott Foundation, it also appears that temporal, issue-based associations of foundations are rapidly developing, giving circles of individual donors are proliferating, and blended associations that include individual donors, foundation grantmakers, consultants, and financial advisors also are appearing on the horizon.<sup>37</sup>

While the changing nature of associations noted above may respond to some of the change drivers, they raise questions about the ability of these associations in the policy arena. Temporary and fluid focus and membership may not prove to be an asset when policy issues arise. On the other hand, if foundations grow used to ‘associating for a cause’ and then moving on, this might allow them to mobilize more quickly, provide more intense focus, and capitalize on other relationships to address policy challenges.

## Research opportunities

In considering the role of philanthropic associations in policymaking, this paper opens up a new field of inquiry within foundation studies. As such, it asks many more questions than it answers. The following list of potential research topics reaches beyond the policy roles of associations, and asks several more basic questions about the landscape itself. Answers to these questions will further our ability to consider the roles for associations in policy.

---

<sup>34</sup> See for example, the American Society of Association Executives ([www.asaenet.org](http://www.asaenet.org)) work on the Digital Now, which takes a look at the implications of the information age on associations. ASAE also conducts research on demographics, communications and other trends of import to associations.

<sup>35</sup> See Lucy Bernholz, *Collective Wisdom*, Washington, D.C.: The Forum of RAGs and Blueprint Research and Design, Inc, available at [www.rag.org](http://www.rag.org), Lucy Bernholz, *The Future of Foundations*, Los Angeles; University of Southern California, 2000, available at <http://www.usc.edu/schools/sppd/philanthropy/forum/papers> and Andrew Blau, *More than Bit Players*, New York: Surdna Foundation, 2001, available at [www.surdna.org](http://www.surdna.org).

<sup>36</sup> For examples of each of the above see the consulting work at Philanthropy Northwest ([www.philanthropynorthwest.org](http://www.philanthropynorthwest.org)), the post-September 11 work of the New York Regional Association of Grantmakers ([www.nyrag.org](http://www.nyrag.org)) and the information services at the Donors Forum of Chicago ([www.donorsforum.org](http://www.donorsforum.org)) and the membership lists of Philanthropy Northwest.

<sup>37</sup> Contact the Forum of RAGs for this research. For examples of each of these kinds of groups, consider the HIV Funding Collaborative, AOL Giving Tree Circles and SVP, and the Legacy Group.



### *The landscape of associations*

- What types of associations are most prevalent? How old are most associations? How are they structured? What is their geographic reach?
- Why do foundations join associations? Why do they not join?
- Which types of associations are growing fastest? Why?
- What is the membership reach of existing associations? How far do they reach? What types of philanthropic organizations do they include?
- Do new philanthropists seek existing associations or create new ones?
- How do these new associations interact with established associations?

### *Foundation associations and policymaking*

- What associational structures facilitate policy work?
- Are different types of associations more effective at different levels of policy?
- Who else, besides membership associations, plays active roles in philanthropic policy? How do the associations work with (or against) these players?
- Which associations do foundations expect to conduct policy work?
- What knowledge do public policymakers have of foundation associations?
- What strategies are effective in changing philanthropic policy?
- How does association action on policy issues influence individual action (and vice-versa)?

## **Conclusion**

In the work that they do regarding philanthropic and public policy, associations provide important connections – *critical junctures* – between the public and private sectors. As an industry we know very little about the nature of these associations. We have no complete inventory of them; know little about the common lifecycle, and even less about the reasons some foundation join and others do not. While research exists on the relationship between associational structure and effectiveness in policy work, we are unaware of efforts to apply this analysis to philanthropy.

There is a great deal of research to be done. Given the tremendous change underway in institutional philanthropy, the time is right to consider how the current infrastructure fits the new industry participants and where change may soon be felt. This paper raises some initial questions about the levels of alignment between existing associations and policy arenas, about the fragmentation of the associational landscape, and about the estimated reach of associations into the industry. Each of these issues is part of understanding how the industry works now, where it is headed in the future, and how it will shape and be shaped by public policy.