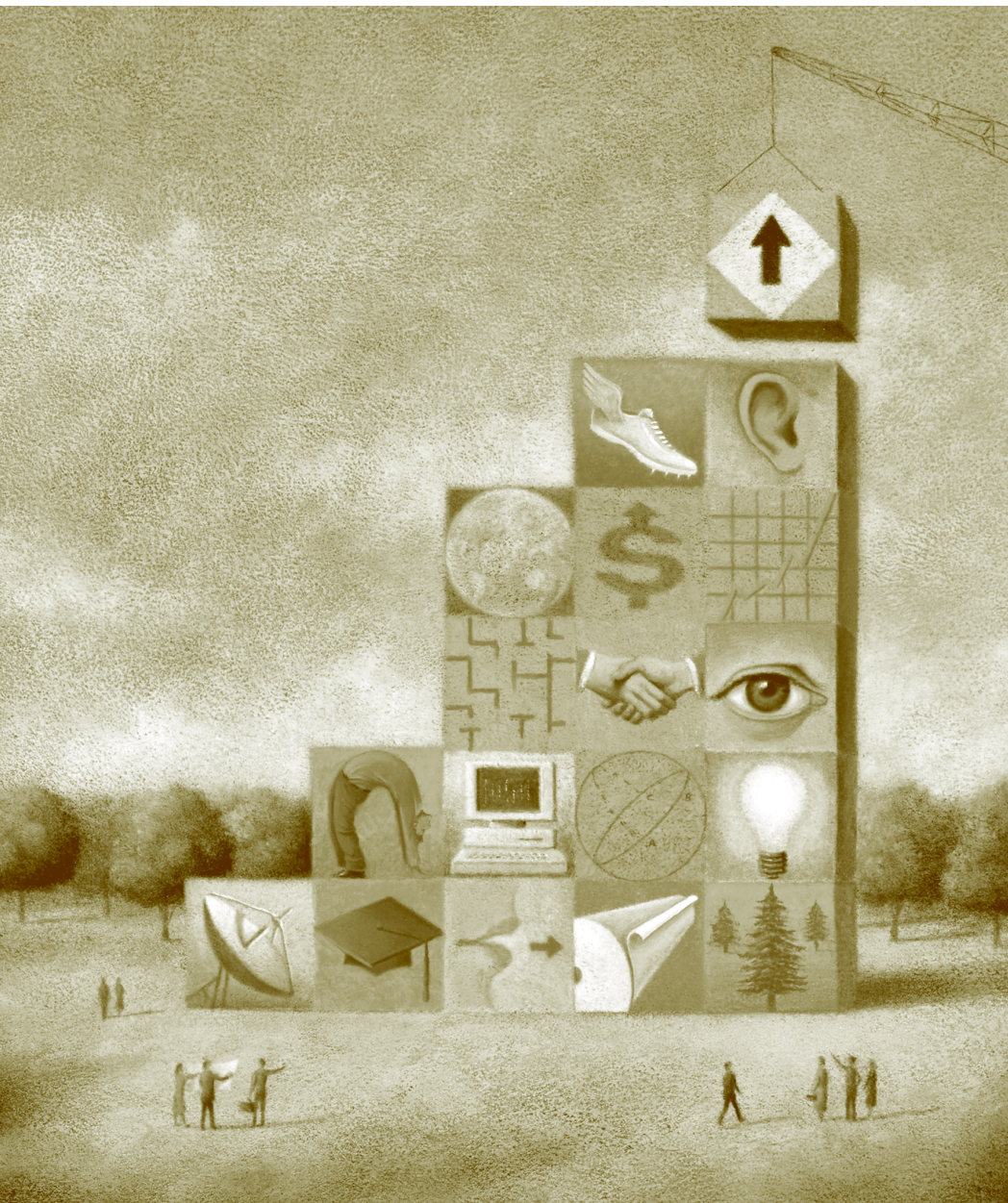


The Center on Philanthropy & Public Policy



FOUNDATIONS & PUBLIC POLICYMAKING

LEVERAGING PHILANTHROPIC DOLLARS,
KNOWLEDGE, AND NETWORKS

UNIVERSITY OF SOUTHERN CALIFORNIA

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.

FOUNDATIONS & PUBLIC POLICYMAKING

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KNOWLEDGE, AND NETWORKS

James M. Ferris

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FOREWORD

Public policy engagement is a natural extension of foundation efforts to address public problems. Foundations have a range of assets – dollars, knowledge, and networks – that can be leveraged to impact public policy. This report summarizes a study that examines the choices foundations face when they engage in the policymaking process.

Foundation involvement in public policy is not new. Throughout the 20th century, foundations have influenced public policy. In earlier days, foundations were large compared to government, and the borders between government and philanthropy were not well-defined. Today, the boundaries between the sectors are more carefully defined, and foundation options are more constrained as a consequence of the Tax Reform Act of 1969. In addition, foundation resources are more limited compared to those of government. Yet, there are still ample opportunities for foundation engagement in public policy. In fact, with the decentralization of policy decision making, there have become more leverage points and, hence, greater opportunities for foundations to engage public policy.

This report is intended to answer three critical questions: What are the factors that are critical to a foundation's decision to engage public policy? What are the strategic and tactical options available to a foundation that decides to engage in public policymaking? And, what are the implications for a foundation that chooses to leverage its philanthropic assets to impact public policymaking? To answer these questions, the study develops a conceptual framework that identifies and assesses the roles, strategies, and tactics that foundations with a conscious interest in shaping public policy can play given the varied dimensions of the policymaking process, the legal and regulatory parameters for such foundation actions, and the ecology of the policy domain. This framework is then used to examine recent foundation efforts to influence public policy in four arenas: school choice, wetlands preservation, child care, and health care insurance.

This analysis reflects the combined efforts of an interdisciplinary team that participated through the development of commissioned papers: Lucy Bernholz, Jason Gerson, Jack Knott, Diane McCarthy, Michael Mintrom, Tom Oliver, Walter Rosenbaum, James Allen Smith, Thomas Troyer, Douglas Varley, and Sandra Vergari. This study benefited greatly from conversations with participants at two Center-sponsored meetings: a roundtable on foundations and public policy held in January 2002, hosted by The J. Paul Getty Trust; and a forum on leveraging philanthropic assets for public problem solving held in May 2002. The Center gratefully acknowledges the support of The David and Lucile Packard Foundation for funding this study.

The Center hopes that this analysis will enable foundations to consider the potential contributions that they can make to public problem solving in an era of more devolved and fiscally constrained public decision making. By engaging more foundations in public policy work, regardless of their points of view, philanthropy can strengthen policymaking in a pluralistic democracy. In so doing, foundation assets can be more effectively leveraged for public problem solving.

James M. Ferris

Director

The Center on Philanthropy and Public Policy

INTRODUCTION

Philanthropy can be more effective in its efforts to solve public problems by leveraging its assets – money, knowledge, and networks – to influence the public policymaking process. The actions of foundations, given their public benefit missions, intersect with the efforts of government. Since the earliest days of foundations in the United States, many have sought to impact public policy. Yet the relationship between foundations and public policy has continually been in flux, varying as a result of the dynamics of the size, role, and scope of government, the changing interests and strategies that foundations have pursued in their work, and the reaction of foundations and government to each other.

This dynamic relationship has been a source of ongoing tension. At various points in time, this tension has been an impetus for changing the rules by which foundations can engage in public policy. As regulations have been adopted to constrain the activities of foundations, there has been a natural tendency to pull back from public policy engagement. This appears to have been the case in the immediate aftermath of the last major change in foundation regulations: the Tax Reform Act of 1969. In the ensuing three decades, the permissibility of foundation action in public policy has been clarified and broadened, short of lobbying or electioneering.

At the same time, there appears to be a renewed interest in public policy on the part of some foundations as they work to leverage their philanthropic assets. This interest stems in part from a more concerted and conscious effort to create systemic change as a result of the challenges laid down by venture philanthropy and in part from the expanded opportunities for foundations as public decision making is being devolved and decentralized.

Given mounting interest and growing opportunities, there is a need to systematically analyze how foundations can leverage their assets to create public policies that further their public problem solving missions and discern the implications of policy engagement for foundation practice. This report examines foundation options for impacting public policy. Specifically, it looks at the strategies for foundation involvement in public policymaking and the associated benefits, costs, and risks of this involvement. The report is intended to inform foundations that are engaged in public policy, or that might be interested in considering such efforts as part of their philanthropic work.

To develop a framework for understanding foundation options and assessing their relative effectiveness, this report examines three fundamental questions:

- What are the factors that are critical to a foundation’s decision to engage public policy?
- What are the strategic choices and tactical options available to a foundation that decides to engage in public policymaking?
- What are the implications for a foundation that chooses to leverage its philanthropic assets to impact public policymaking?

The answers to these questions build on our knowledge of foundations, the policy process, and the law – both past and present – and the analysis of foundation engagement in policymaking in four contemporary issues: school choice, wetlands preservation, child care, and health insurance.

THE DECISION TO ENGAGE

Engagement in public policy requires a foundation to make a conscious choice. Many of the efforts of foundations are related to solving public problems. If foundations seek to tackle those problems by influencing the decisions made in governmental processes, an explicit decision to do so is required. This is especially true given the requirements for effective public policy engagement.

A variety of factors will affect a foundation's decision to pursue public policy engagement. Among the most critical are internal factors: foundation mission (both programmatic and geographic), financial assets, and governance. In addition, the foundation's external environment also shapes the opportunities for foundation involvement in public policymaking. The two critical external factors are the legal restrictions on foundation activities, and the "ecology" of the policy domain as defined by other philanthropic actors, nonprofits, and other interested parties and political institutions.

Mission and Philosophy

A foundation's mission provides a general framework for determining foundation behavior in terms of its objectives and the strategies and tactics it employs. The mission, for the most part, extends beyond charity to focus on improving society by working to solve public problems. Given this focus, it is not difficult to understand why foundations should have an interest in public policy. After all, government and foundations, although distinct in their institutional logic and legitimacy, have many common purposes.

The question that a foundation faces is whether it views its mission as being consistent with public policy engagement. In some instances, a foundation will be created to intentionally work to shape public policy on a topic of particular concern to the donor. This seems to animate action, especially when the founding donor is alive and has a desire to influence policy on a particular issue. Ample examples can be found in philanthropic efforts in recent years to promote free market principles and limited government, including school choice.¹ In addition, there are a number of philanthropists with a strong interest in more progressive causes, such as nuclear

¹ See: Michael Mintrom and Sandra Vergari, "Foundation Engagement in Education Policymaking: Assessing Philanthropic Support of School Choice Initiatives," Research Paper-18, The Center on Philanthropy and Public Policy, University of Southern California, 2003; and John J. Miller, *How Two Foundations Reshaped America*, The Philanthropy Roundtable, 2003.

nonproliferation, environmental preservation, and eradication of AIDS.² In other cases, foundations will be created to purposefully serve as an alternative to government. These foundations often focus on the delivery of direct services, and typically will draw a sharp line between their work and that of government.

Beyond foundations predisposed for or against involvement in public policy, there are considerable possibilities for a foundation to view public policy engagement as a strategy in pursuit of its mission. Foundations often decide to engage in public policy work as an extension of their programmatic efforts. For example, the Minneapolis Foundation became engaged in policy work as a consequence of its realization that their grant dollars could only create a few units of affordable housing, compared to the much larger number that could be achieved by tapping public resources through their involvement in policy work.³ Likewise, recognizing that their resources pale in comparison to public health care dollars, health foundations are often focused on how they can influence government policy.⁴

Scale and Scope

While mission is a critical component in shaping a foundation's perspective on its own public policy engagement, it is also important to consider how the philosophical principles defined by the mission match the foundation's scale (i.e., the size of assets) and scope (i.e., geographical areas of interest) to the policy domain of interest. Typically, foundations with large endowments and national focus are thought to be well-positioned to do policy work, while smaller and mid-size foundations with local interests are better positioned to focus on direct services. While this is true in many cases, it need not always be the case. Not all policymaking takes place in Washington, D.C. There are ample opportunities for foundations to impact public policy at the state and local levels and at various stages in the policy process. Foundations do not have to act alone, which may help to overcome the constraints of scale and the limits of scope facing some foundations.

It stands to reason that foundations of greater scale and scope will have a greater inclination to engage public policy. They may focus on issues that receive attention at the national level, or they may make a national impact by focusing on issues that play out in states and communities.

² David Bank, "Big Philanthropists Seek Bigger Roles in Shaping Policy," *Wall Street Journal*, June 19, 2002.

³ Emmett Carson, "A Foundation's Journey to Public Policy Engagement," in Frank Ellsworth and Joe Lumarda, eds., *From Grantmaker to Leader*. John Wiley and Sons, 2003.

⁴ Thomas R. Oliver and Jason Gerson, "The Role of Foundations in Shaping Health Policy: Lessons from Efforts to Expand and Preserve Health Insurance Coverage," Research Paper-15, The Center on Philanthropy and Public Policy, University of Southern California, 2003.

Moderate-sized, locally-focused foundations can also craft strategies that align their scale and scope with their policy interests, perhaps by joining with other foundations to achieve scale or joining networks that create greater scope. For example, some foundations couple geographically-limited demonstration projects with broader efforts to disseminate information about those projects; such a strategy can effectively promote the diffusion of policy innovations beyond the community in which the demonstration takes place. A foundation of moderate scale may also choose to concentrate its resources on a single issue.

The Law⁵

Despite widely held perceptions in the foundation community, federal law provides considerable latitude for private foundations to engage in public policy work. As tax-exempt organizations, foundations are subject to a set of restrictions on their activities, which include prohibitions on engagement in electoral politics and lobbying. These rules limit, but do not preclude, public policy work by foundations, as policy work involves more than elections and lobbying. Within these limits, foundations can play an important role in framing

issues, developing public will, supporting advocacy organizations, and funding policy implementation and evaluation.⁶ In effect, aside from what is expressly prohibited, there is much that foundations can do to advance public policy by choosing to deploy their philanthropic assets to this end.

Foundation efforts are most directly circumscribed in the area of lobbying. Foundations are prohibited from lobbying directly, which means communicating directly with legislators about specific legislation and providing a view on the legislation. Further, foundations are not to engage in grassroots lobbying concerning specific legislation (i.e., they are forbidden from enjoining citizens to contact their legislators over an issue).

However, the law allows foundations to communicate with legislators about matters of broad social concern – as distinct from specific legislation – even if those matters are, or will be, addressed in legislation. This rule has enabled private foundations and their grantees to exercise significant influence on issues as diverse as funding for medical research, criminal sentencing, and education reform. Moreover, foundations are allowed to fund nonprofit organizations that do engage in lobbying. The funding

⁵ This section, describing laws applicable to private foundations, draws heavily on Thomas A. Troyer and Douglas Varley, “Foundations and Policymaking: Latitude Under Federal Tax Law,” Research Paper-12, The Center on Philanthropy and Public Policy, University of Southern California, 2002. Community foundations, on the other hand, operate under the rules governing public charities.

⁶ Useable guides for foundations are provided by the Council on Foundations and the Alliance for Justice. Publications for public charities are available through Charity Lobbying in the Public Interest.

is deemed legal so long as money provided in general operating grants is not earmarked for lobbying.

Foundations can also fund projects that contain a lobbying component, as long as the funding of the lobbying component constitutes less than the total amount that the grantee will actually spend on lobbying. For example, a foundation makes a grant of \$10,000 in a year for a public charity's project and the grantee's project budget lists \$20,000 for lobbying expenses out of total project expenses of \$35,000; the grant is permissible if it is not earmarked for lobbying because the project budget for non-lobbying expenses (\$15,000) exceeds the grant amount (\$10,000).⁷

about policy issues. For example, they can assemble interested parties – including legislators, executive officials, and their staffs – to discuss policy issues so long as they do not address the merits of specific legislation. Foundations can fund research and policy analysis and can provide these findings directly to legislators, executive officials, and their staffs. In the resulting documents, foundations are even allowed to take a position on specific legislation, as long as alternative points of view are presented for the reader to form an independent opinion on the matter. Distribution of these documents must extend beyond people on one side of an issue. If called upon to testify at legislative hearings, foundation representatives are allowed to support or oppose specific legislation. In sum, foundations can play an important role in stimulating public discussion of key policy issues.

In addition, foundations can impact policy by working with public agencies to implement policy and can fund activities of groups engaged in impacting public policy through the courts. Similarly, the lobbying restrictions in no way impede foundations' attempts to influence decisions by judges or actions by executive and administrative agencies such as the promulgation of regulations or their enforcement.

“The federal tax law provides considerable latitude for private foundations to participate in the formation of public policy. Although special restrictions apply to influencing legislative decisions and to election-related activities, much room remains for foundations to play a significant role in the formation of public policy.”

Thomas Troyer and Douglas Varley

Beyond lobbying, foundations have considerable leeway in influencing the policy process. Foundations can work to educate the public and public officials

⁷ Thomas R. Asher, *Myth vs. Fact: Foundation Support of Advocacy*. Washington, DC: Alliance for Justice, 1995.

FOUNDATIONS AND PUBLIC POLICYMAKING: LATITUDE UNDER FEDERAL TAX LAW

The “Lobbying” Restriction: Basic Rules

All charities are subject to revocation of their tax-exempt status if a “substantial part” of their activities is “lobbying.” Private foundations, however, are subject to an additional, tighter rule that prohibits them from spending any funds on lobbying. Despite these restrictions, the law allows foundations to play a significant role in the formulation of legislative policy. How is this possible? First, the federal rules define “lobbying” very narrowly to exclude many activities that can affect legislative decisions. Second, the law contains robust safe harbors that permit foundations to make grants to public charities that lobby without having the grantee’s lobbying attributed back to the foundation.

What Lobbying is Not

Whether an activity is lobbying under the foundation rules depends on the content of the communication and the identity of the recipient. Hence, the law applies an objective “magic words” test to determine whether an activity violates the no-lobbying prohibition. It is what the foundation says that matters, not the organization’s subjective intent in making the communication.

In addition to the broad avenues open to foundations to participate in administrative and judicial decisions, the federal law also offers significant, though more narrowly defined, opportunities for work concerning specific legislation. Significantly, several exceptions to the general ban on foundation lobbying provide valuable tools for working with government officials to influence legislative action.

The rules are even more favorable for communications directed to the general public. In this context, foundations can conduct and support activities — including web pages, e-mail alerts, media advertisements — espousing a particular view on specific legislation without violating the restriction on lobbying. Generally, the federal tax law permits foundations to communicate (or to fund a grantee’s communication) with the public about specific legislation as long as the communication does not encourage the audience to contact a government official about the legislation. Consequently, subject to one relatively minor qualification, a foundation can safely pay for a radio or television message that criticizes or endorses a piece of pending legislation without contravening the tax law, so long as the message does not include a “call to action” encouraging listeners to contact a government official about the legislation.

Working with Grantees to Influence Legislation

Because public charities are able to engage in a significant amount of lobbying, they can generally be more effective advocates for, or against, legislation than the foundations that fund them. Hence, for most foundations, the principal means of participating in the legislative process is by supporting public charities that are working to achieve changes the foundation favors. The federal rules provide safe harbors for foundation grants to public charities that prevent attribution of the grantee’s lobbying to the foundation even if the grantee, in fact, uses the foundation’s funds in lobbying.

Source: Thomas A. Troyer and Douglas Varley, “Foundations and Policymaking: Latitude Under Federal Tax Law,” Research Paper-12, The Center on Philanthropy and Public Policy, University of Southern California, 2002.

Thus, the law does not prevent foundations from engaging in public policy work. What it does do is determine the methods and approaches that foundations can pursue in such efforts. The law permits foundations that wish to be directly involved to have considerable latitude in all phases of the policy process with the exception of policy adoption, and even at that stage, it is possible for them to act, following certain rules, by funding nonprofit advocacy groups.⁸

Philanthropic Environment

A foundation's decision to engage in public policy work is likely to be affected by the broader philanthropic environment. The activities of other foundations may have either a positive or a negative impact on the decision to engage. Foundations that prefer to act alone might refrain from entering the policy arena if there are other foundations already engaged, or they might choose strategies and tactics that complement the work of other funders.⁹

On the other hand, it is possible that having others in the policy arena, especially those with common values and traditions of working together, might induce a foundation to become involved in public policy work.

If there are appropriate structures in place such as funder collaboratives, affinity groups, or regional associations of grantmakers, a foundation may see a way to overcome limits posed by its scale and scope. These infrastructure groups can provide a clearing-house for information and data on programs; offer workshops, seminars, and roundtables with other funders, policy researchers and policymakers; and serve to connect foundations directly with policy leaders.¹⁰ To the extent that such structures create networks that engender trust and make foundations aware of the benefits of collaboration, they may embolden foundations to enter or expand their policy efforts. In addition, collaboratives make financial and political risk-sharing possible, which may encourage more cautious foundations to participate.¹¹

⁸ In the case of policies directly affecting the foundation community, a foundation can choose to lobby (e.g., repeal of the estate tax or the payout rule for foundations).

⁹ For example, foundations that focus on health policy issues often adjust their actions to those of others. Some foundations take lead roles, either as pioneers or trendsetters, while other foundations react to leaders by being niche funders or followers who provide some funding to complement the leaders rather than compete with them. See: Carol Weissert and Jack H. Knott, "Foundations' Impact On Policymaking: Results From A Pilot Study," *Health Affairs* (1995) 14: 275-286.

¹⁰ For a discussion of the potential of foundation associations of various types in facilitating the policy work of the participants, see: Lucy Bernholz, "Critical Junctures: Philanthropic Associations as Policy Actors," Research Paper-13, The Center on Philanthropy and Public Policy, University of Southern California, 2002; and Ralph Hamilton, "Moving Money and Ideas: Issues in Funder Funding Collaboration." Paper Prepared for the Funders' Network for Smart Growth and Livable Communities, 2002.

¹¹ Marcia Sharp, "Foundation Collaborations: Incubators for Change," Research Paper-14, The Center on Philanthropy and Public Policy, University of Southern California, 2002.

A foundation may also choose to enter a policy arena to counter the work of other foundations. After all, the foundation sector is pluralistic and encompasses a wide range of missions, values, and points of view.

As with all players in the policymaking process, foundations can improve the

chances of attaining their goals by acting strategically. Strategic action requires that foundations pursue forms of policy engagement that are aligned with their missions, consistent with their scale and scope, within the bounds of what is legally possible, and meaningful in the context of the broader philanthropic landscape.

“The challenge for foundations that choose to engage public policy is to fashion strategies that are consistent with their missions and resources and simultaneously synchronized with the stages, venues, and levels that characterize the policy domains of interest.”

James Ferris

STRATEGIES AND TACTICS: OPTIONS FOR ACTION

Once a foundation decides to engage in public policy work, an array of options are available to leverage its philanthropic assets to impact public policy. To realize its full potential, a foundation needs to understand that its full range of assets include money, knowledge, and networks. It must also recognize the importance of identifying strategies and tactics to leverage those assets for maximum effect.

In order to understand its options for engaging public policy, a foundation must be aware of the leverage points in the policymaking process – the stages from problem definition to the evaluation of implemented policies, the venues where public policy decisions are made, and the level of government at which those issues are considered. Given these leverage points, a foundation then must choose the tactics that have the greatest potential for advancing its goals.

Where to Engage?

Because public policymaking is multi-dimensional, it provides a variety of points at which a foundation might choose to enter the policy process. There are many *stages* in the policymaking process, including problem definition, agenda setting, policy formulation, policy adoption, policy implementation, and policy evaluation. There are various *venues* for public decision making, from ballot initiatives to the legislative process, and from administrative

rules to judicial review. There are also *jurisdictions* for action in a federal system of government – local, state, and national. Consequently, there are myriad points at which a foundation can work to impact public policymaking. Thus, foundations pursuing particular policy goals make choices – if not explicitly, then certainly implicitly – concerning jurisdiction, venue, and stage. These choices emerge from a set of feasible options given the institutional structure of a particular policy domain such as education or health, and the organizational imperatives of each foundation.

The challenge for a foundation is to determine at what point it can best leverage its assets for impacting public policy. It must also determine the resources and capacities required to do so, both on its own and in concert with others. Linking a foundation's grantmaking strategy to the different policymaking stages, venues, and jurisdictions is an important element in such an analysis. For example, funding research and public education campaigns is more likely to impact the early stages of the legislative process or the adoption of local or state ballot initiatives; foundation support for nonprofit advocacy groups is more likely to influence policy formulation; and lessons from demonstration projects are more likely to impact policy implementation and the diffusion of programs across localities and states.

PHILANTHROPIC ASSETS FOR PUBLIC POLICYMAKING

Foundations that decide to engage in public policy have a range of assets – their dollars, their knowledge, and their networks – to deploy to advance their objectives:

Funding Activities, Programs and Organizations. Foundations can use their grantmaking dollars to fund activities, programs and advocacy groups, to promote ideas for policy change, to demonstrate viable alternatives to current policy settings, and to ensure policy implementation.

Creating Knowledge and Ideas. Foundations can foster the development of creative thinkers and bodies of knowledge by establishing fellowships, funding research institutes that can shape the thinking of others, and disseminating that information. They can also share the information and knowledge that they have developed through their own experiences in policy areas.

Forging Policy Networks. Foundations can put ideas and new knowledge into play by creating an infrastructure for the diffusion of policy ideas and innovations among the various actors in the policy process, both individuals and organizations, and enabling them to act.

Source: Adapted from James Ferris and Michael Mintrom, “Foundations and the Policymaking Process: A Conceptual Framework,” Research Paper-10, The Center on Philanthropy and Public Policy, University of Southern California, 2002.

How to Engage?

Once a foundation chooses where it wishes to engage the policy process, it must decide how to engage. Many foundations fund work of policy relevance, including policy analyses and program evaluations, pilot programs, and technical support. However, such activities alone are not likely to have much impact on moving policy issues. A foundation that seeks to drive public policy will want to consider playing a more active role in influencing the policy environment.

Funding Nonprofit Partners

In addition to funding discrete programs such as an evaluation or a policy analysis, a foundation may choose to fund nonprofit advocacy groups that are actively engaged in promoting policy agendas that resonate with the foundation’s values and mission. Given current law, a foundation can accomplish this through general operating grants to advocacy groups. This is a particularly important tactic to foundations that want to have an impact at the policy formulation and adoption stage.

Building Policy Networks

Foundations can also engage the policy process by creating the infrastructure for setting policy agendas by framing issues, crafting solutions, and generating public will. A foundation can contribute to the development of a policy infrastructure by funding knowledge creation and policy networks. These tactics require a foundation to take a longer-term view. Building such an infrastructure requires time and the benefits are derived from shaping the early stages of the policy process rather than the point of policy adoption itself. Moreover, such an investment is more easily justified when viewed as creating impact over the ebb and flow of the policy process.

Building Foundation Capacity

The question of how to engage leads to a consideration of how a foundation should deploy its resources. For most foundations, this is an issue of how to design grantmaking programs that clearly identify what to fund, how long to fund,

and who to fund. However, going beyond grantmaking, a foundation may choose to pursue such efforts in a more directed way by creating its own capacity to conduct research and analysis, convene the policy community, and work directly with policymakers.

Another important consideration for the foundation is the extent to which it should work with others in its policy engagement. Obviously, as already mentioned, a foundation will rely on nonprofit partners, including advocacy groups, research organizations, and academics. But in addition, there is the question of how the foundation might work with others in the funding community – other foundations, grantmaking public charities, and philanthropists. A foundation can work with others of like minds in the funding community in a variety of ways, from information sharing to joint action.

At a minimum, funders can share information about issues and ideas as well as experiences about what works and does not work. Such information sharing is of the utmost importance as foundations work at the state and local levels. There is no need to use resources to reinvent the wheel or to repeat past mistakes. While such sharing of information can be informal, some affinity groups can fill that purpose, such as Grantmakers in Health and the Funders' Network for Smart Growth.

“The ability to generate the ideas, lessons, and analysis that can shape policymaking is greatly enhanced to the extent that foundations can work together to aggregate their intellectual capital and capitalize on it. This requires processes, networks, and structures for sharing and accumulating knowledge across foundations and acting upon it.”

Marcia Sharp

Even greater potential exists for funders to act in concert by pooling their resources, not only their dollars but also their knowledge and connections. Affinity groups or regional associations of grantmakers may provide the impetus to create working partnerships. For example, the Grantmakers for Income Security Task Force organized themselves to have an impact on the reauthorization of the TANF (Temporary Assistance for Needy Families) program in 2002. The group sought to influence the debate that was to occur in 2002 as a result of frustration with their efforts in the initial welfare reform debate.¹²

Existing organizational structures may not be sufficient to support policy engagement. There may be a mismatch between the organizational structures within the foundation community and the arena for action. In addition, the structures, such as regional associations of grantmakers, often do not include all the potential funders since not all foundations join and many exclude individual philanthropists. Generating the appropriate mechanisms to work together requires greater effort; it is necessary to identify partners and build familiarity and trust if the foundation's efforts are to go beyond merely funding the same nonprofit partners to achieve a more strategic, coordinated, and robust effort. Identifying those with shared interests will likely be easier for some policy areas, such as health, where there are a set of foundations with a strong emphasis, if not exclusive interest,

on health issues. In contrast, in the case of child care, foundations with common interests will be more difficult to identify since many foundations come to the issue as a result of their other priorities that are impacted by child care policies.

How to Deploy Foundation Assets?

Once decisions are made with respect to where and how to engage the policy process, a foundation then must decide how to deploy its assets. The following questions are critical: What should be funded? Should policy work be undertaken internally, through grants to nonprofit partners, or some combination of these? And if through grants, what form should the grantmaking program take?

To the extent that foundation engagement is limited to funding policy-relevant work, grantmaking tends to be programmatic and limited in duration. When foundations are willing to commit to efforts to shape the policy environment, they typically make longer-term commitments and grants for operating support. This approach casts grantees as partners in the enterprise of policy engagement. The most active role for foundations involves choosing to engage directly with policymakers by devoting resources to the foundation's own activities such as convening policymakers and policy experts and distributing reports to key leaders.

¹² Janellen Duffy and Ed Hatcher, "Rainmakers or Troublemakers? The Impact of GIST on TANF Reauthorization," Presentation at the 2003 Council on Foundations Annual Conference, Dallas, Texas.

Thus, foundation engagement with public policy requires that foundations assess how such a role will enable them to pursue their mission given their asset base, programmatic focus, and geographic scope. Having made the decision to embrace a role in public policy, foundations need to determine where and how to engage the process and shape their grantmaking activities so as to achieve the desired policy impacts.

Such efforts require foundations to accept a level of risk and uncertainty since foundations are but one of many influential outsiders,

their efforts are often pursued through nonprofit partners, and aligning the various policy forces requires a considerable amount of luck. Foundations are not likely to realize big policy payoffs unless they are willing to take such calculated chances. Thus, foundations will need to choose whether they want to engage public policy as an investor, underwriting the activities of others, or as a policy entrepreneur – a driver of change – that engages directly in the process and understands the benefits and risks of such involvement.

INSIGHTS FROM FOUR POLICY ISSUES

The history of foundation engagement in public policymaking underscores the point that the differences in approach “most often reside in the external environment, the specifics of the policy domain, the opportunities presented by differing political circumstances, and the changing expectations Americans have of the public sector.”¹³ With that in mind, four policy issues in which foundations are currently engaged – school choice, wetlands preservation, childcare, and health care access – were examined in considerable detail.¹⁴

These four areas were selected to provide a range of policy issues, settings, and foundation activities in evaluating foundation involvement in public policymaking. The policy issues selected are tightly focused, involve action at the various levels of government, demonstrate varying degrees of public acceptance of the role that government should play, and exhibit very different foundation ecology. This variation is essential to providing a reasonable and realistic illustration of the framework developed in the previous section and a “test” of its propositions and conjectures.

The analysis of these four cases provides insights that deepen our understanding of how foundations are involved in policy work, the considerations for undertaking such work, and the consequences and lessons for foundation practice in today’s environment. Dimensions considered in this analysis are the decision to engage in public policy; the strategic approaches, leverage points, and tactics employed; and the lessons for foundation practice.¹⁵

The Decision to Engage

The benefits of public policy work are substantial. Foundations have the potential to increase their impact by leveraging their assets – dollars, knowledge, and networks – to solve public problems. However, as foundations enter into such work, a clear understanding of the implications of their involvement in public policy is essential. Two factors that inform public policy work are the complexity of the policy process and the multiple paths foundations take to policy engagement. Together, they have profound implications for foundations that engage public policy.

¹³ James Allen Smith, “Foundations and Public Policymaking: A Historical Perspective,” Research Paper-11, The Center on Philanthropy and Public Policy, University of Southern California, 2002.

¹⁴ Summaries of the four policy cases are included in the Appendix to this report. Unless otherwise noted, the examples in this section draw on these four analyses.

¹⁵ This approach begins with foundations that are engaged in the policy process, so it is oriented to explaining the strategies and tactics that foundations adopt in their policy work. Nevertheless, the realities of these four cases are instructive for foundations contemplating involvement in public policy work.

CHOOSING POLICY ISSUES: CRITERIA FOR SELECTION OF POLICY ISSUES FOR ANALYSIS

The four cases were selected on the basis of four factors so as to make it possible to discern general patterns and to evaluate their implications.

Tightly focused. In order to focus the cases, only one dimension of a broader policy domain is chosen. For example, school choice is but one dimension of a range of policy choices to improve education, and health insurance coverage is but one issue among many within the larger context of health access. Similarly, child care is only one of many policies that are aimed at strengthening children and families, and wetlands preservation is only one approach to enhancing environmental quality. Taking a slice of a larger domain allows a greater degree of specificity in analyzing foundation strategies and tactics, thereby providing greater insights into foundation choices for public policy engagement.

Level of Government. Policy issues that play out locally, regionally, and nationally have been selected. All too often public policy conversations, like textbooks on public policy, focus on Washington, D.C. This preoccupation with the nation's capitol tends to place public policy engagement outside the reach of most foundations. By selecting cases that have a significant local, regional, or state focus, we are able to demonstrate the wide array of opportunities for policy work available to foundations. This is especially important as the number of leverage points for such efforts has increased due to the devolution of policy decisions from Washington, D.C. to the states, and from state capitols to local communities.

Role of Government. The public's acceptance of the role of government in a policy arena is another critical dimension. For example, there has long been a reliance on the market in health care that has implications for the nature of policy options that foundations can hope to influence as well as for the benefits and costs of foundation efforts in public policy. This is in contrast to education, where the prevailing public view is of the centrality of government in ensuring the quality of schools.

Foundation Ecology. Variation in foundation ecology is another important facet, as determined by the number of foundations working in the policy area, their scale and scope, and their focus and strategies. For example, among foundations – both large and small and both nationally and regionally focused – education is the primary area of interest. As a consequence, there is a large number of potential foundation actors, both locally and nationally, to engage education policy issues. In contrast, the number of foundations with an interest in environmental issues is relatively small, and they are quite diverse in terms of their geographic focus and scale. The ecology of foundations with health interests is uniquely characterized by a set of foundations with an exclusive focus on health. This sole focus and their relative size seem to increase their inclination to choose policy work.

The Complexity of the Policy Process

The four case studies underscore the importance of recognizing and accepting that public policy work is complex – it is messy, unpredictable, and open-ended – which inevitably brings risk. Foundations must weigh this risk against the potential payoff of creating desired social change via public policy.

Many players participate both inside and outside the formal decision making structures, which adds to the complexity of the process. These players represent different constituencies with varying interests and values and competing points of view. This requires that foundations understand that policy work is not neutral; they must adopt a point of view. For example, foundations engaged in efforts to create vouchers believe that more competition will increase the quality of education and work to advance such policies; at the same time, others in the policy arena, often teacher unions, work to oppose those efforts due to their perceived negative consequences. In addition, foundations working to preserve environmental resources encounter opposition from those that have property rights to the use of those resources as well as those with economic interests in development.

Foundations that seek to influence policy decisions do so in the context of a policy process that is unpredictable and uncertain, and clearly beyond the control of any individual or organization. As a consequence, foundations should seize opportunities as

they occur. They need to be poised and ready to act. This suggests that foundations need to create an infrastructure for foundation engagement both by developing their own capacity as well as relationships with partners – other funders, researchers and think tanks, and advocacy groups. If a foundation decides to weigh in on issues after they are already under active consideration by policymakers, it may be too late to act. And, in entering the process at this point, a foundation will more likely attempt to block action rather than to advance a policy change.

The policymaking process is open-ended. It is dynamic and ongoing. It does not end with policy adoption. There is a strong perception that policy adoption is the heart of policy work, perhaps as a result of its discrete nature that makes it easier to observe success. But, the ultimate outcomes of public policy work rest with effective implementation. This is clear in efforts to preserve wetlands where adopting the policy is only one step towards acquiring land and preserving it; likewise, chartering new schools is only one step towards constructing, organizing, and running an independent school.

Paths to Policy Engagement

The path to public policy engagement is not linear or singular. Foundations come to public policy work in various ways and with various attitudes and perspectives.

Some foundations begin with a mission to create change by affecting public policy. This is likely to result from dissatisfaction

with existing policies or concern with addressing emerging or persistent problems. Other foundations come to engage public policy after recognizing that grant dollars can only go so far in creating important social change.

Foundations seem to take two prevailing attitudes in engaging policy. Some foundations engage the process in a relatively aggressive manner, trying to force a particular solution, while others work more deliberately, seeking the best solutions to the problem. The first approach is more ideological in that the foundation understands the problem and has determined the desired solution.¹⁶ The second approach emphasizes the importance of developing an understanding of the problem and analyzing a range of potential solutions that lead to better outcomes, as defined by the foundation's objectives.

As these cases demonstrate, foundations may take a number of paths to address policy issues, and bring a variety of attitudes with them. Some foundations begin with a focus on an issue, such as an interest in improving public schools. Others begin with a focus on a solution or type of solutions such as vouchers or market-based school policies. Others come to an issue in a more circuitous route, such as foundations that care about welfare reform because of its impact on children, which is their primary

focus, or those foundations that join in efforts to preserve wetlands as a vehicle for pursuing social justice and sustainable development.

Committing to Public Policy Work

The in-depth analysis of these four cases underscores the fact that foundations should be sanguine about the commitments that public policy requires. Foundation engagement in public policy has a large potential payoff, but it comes with considerable risks. The risks are of two kinds: political risks by venturing into contentious issues, and governance/accountability risks because of the lack of tangible results due to the complexity of the policy process. A foundation is likely to be best equipped to engage public policy if it is comfortable, firm and clear in its values, and it is willing to commit to public policy work for the long-term. It must also be flexible and responsive to the opportunities that emerge, and willing to deal with ambiguity in terms of outcomes.

¹⁶ There is wide recognition of the recent success of "conservative" foundations that are driven by a set of ideological principles in contrast with the perceived lack of success of more "progressive" foundations that are engaged in public policy but focused on a more policy analytic approach to public policy. See: Robert Kuttner, "Philanthropy and Movements," *The American Prospect*. July 15, 2002.

Policy Engagement: Where and How?

Foundations have a wide range of points at which they can work to impact the policy process – various stages, venues, and jurisdictions – and an array of strategies and tactics from which they can choose. As foundations make such decisions, patterns emerge that create various profiles of foundation engagement.

Stages

Foundations play important roles throughout the policy process – from agenda setting to policy adoption to implementation – as revealed in these four cases. Some foundations focus on particular stages, typically the agenda setting stage or the implementation stage. Others use a more encompassing approach, working to have an impact throughout the various stages of the policy process. In the context of foundations engaged in these four policy areas, fewer foundations appear to operate at the early stages of the policy process when compared to those that engage at the implementation stage.

Foundations engaged in the early stages of the policy process have a clear sense of what they would like to accomplish in terms of issues and solutions. They underwrite research and analysis, frame problems, and craft policy alternatives. These foundations tend to adopt a proactive posture and are willing to drive, or at least attempt to drive, policy agendas by injecting ideas into public policy conversations.

For example, foundations promoting school vouchers have invested in research and analysis, demonstrations and experiments, and the dissemination of lessons from one community to another and from state to state, to place the issue on the public agenda. Similar efforts are found in health care, where foundation efforts have focused on raising public awareness of the problem of the uninsured by providing reliable and credible information about the scope of the problem, and stimulating conversations about possible policy solutions and courses of action to increase coverage. Similarly, foundations that have an interest in children's issues have worked to develop indicators on the status of children to underscore critical issues and to determine whether conditions are improving.

For a public policy to have the desired impact, it must be implemented effectively. Foundations can play an important role at the implementation stage in increasing the likelihood that the policy will achieve the desired results. Foundations are well-positioned to provide necessary resources and scrutiny. Their long-term involvement can help ensure that policies are implemented according to design. Foundations can work to help individuals take advantage of new government programs created through public policy, evaluate the effectiveness of new public programs, and, in some instances, even assist government in the delivery of programs.

Numerous examples of foundation efforts at the implementation stage exist in these four cases, including securing the requisite capital and structures to construct and operate charter schools, amassing the resources and creating the networks to acquire and preserve wetlands in the Cal-Fed Project and the Florida Everglades, working to ensure that those eligible take advantage of health access programs provided by the state of California, and helping states in the Midwest implement the child care provisions of welfare reform. In all of these instances, foundations have forged constructive relations with government agencies, either directly or through their nonprofit partners.

Although foundations have considerable leeway to operate directly in both the early stages and later stages, they can also participate at the policy adoption stage (i.e., the passage of specific legislation) by supporting nonprofit advocacy groups. While foundation-nonprofit partnerships are important throughout the entire policy process, they are at a premium at the policy adoption stage. This is particularly true for those foundations that wish to increase the odds that efforts at agenda setting are translated into policy decisions. Foundations, by providing operating grants, can enable advocacy organizations to be effective players at this stage in the process, not only for a single issue but in an ongoing capacity for grassroots involvement in the open-ended policy process.

Venues

The courts and administrative agencies are also important leverage points in the policy process. For some policy issues, the courts and administrative agencies make critical decisions, such as whether a policy is constitutional or whether public agencies have implemented legislation as intended. It is therefore important to view venues as complementary points of engagement, rather than “either-or” choices. This is particularly true when policies that are being pursued in the legislative arena raise legal questions or involve regulatory or administrative decisions.

Foundations can be more actively involved in these venues since the prohibitions on lobbying do not apply. To the extent that such actions impact the successful realization of policies adopted in the legislative arenas, foundations need to stay involved. Again, foundations are likely to be involved through their nonprofit partners, though in these venues, foundations are not bound by the same funding restrictions that apply to the legislative process.

For example, the constitutionality of vouchers has been raised by those opposed to this school reform. Thus, in addition to securing passage of school vouchers, proponents have been active in arguing the constitutionality of vouchers before the courts. Likewise, many of the critical decisions that impact wetlands preservation are made by administrative agencies at the state and local levels.

Jurisdictions

The federal system poses interesting choices for foundations that are engaged in the policy process. While there are some issues that play out at a single level, many develop at multiple levels. As a consequence, foundations are challenged to formulate strategies for working on policy issues that are often not neatly in sync with their scale or scope.

As previously mentioned, in order to illuminate some of the issues that arise in policymaking in a federal system, we made a conscious decision to examine policy issues that have an important state or local dimension. In these instances, foundations must choose how to pursue various aspects of the agenda setting stage such as policy research and development. Policy research and development, like other forms of research and development, need not be duplicated across state and local jurisdictions. Thus, foundations that are interested in influencing issues nationally may find investment in basic research and development to be an essential component of their strategy. For example, those advancing notions of school choice have developed demonstration projects to provide evidence of the impact of school organization and governance on learning outcomes. Similarly, foundations interested in child care have contributed to research on the impact of child care in the early years, and those promoting wetlands preservation have contributed to an understanding of ecological science.

On the other hand, foundations with a state or local perspective are more likely to focus on applications. These foundations can focus their efforts on how policy ideas can be applied to the local context and, where relevant, create the public will to place the issues on the state or local policy agenda. It is possible that demonstration projects can occur in a localized way that creates the evidence for replication as well as the capacity of grassroots action for continual engagement in the policy process, such as in the case of the Kellogg Foundation's approach to child development.

Emerging Profiles of Policy Engagement

The analysis of the four policy issues reveals that there is considerable variation in the nature of foundation engagement. Two distinct dimensions are observed in foundation strategies that contribute to profiles of policy engagement: the breadth of foundation engagement, and the degree of foundation involvement.

Breadth of engagement

Some foundations develop a broad-based approach working across multiple leverage points, while others focus on a particular niche. Foundations that adopt a broad-based approach often work to move an issue from agenda setting to adoption, and ultimately policy implementation. In other instances, they use a multi-pronged approach by working multiple venues or jurisdictions.

Among the foundations that focus on a particular niche in the policy process, a few tend to work at the front end in terms of problem definition, agenda setting, and creating a public will for action. But those foundations that target a single point most frequently seem to focus on the implementation stage. This is not surprising; the implementation stage of the process plays to the strength of foundations and involvement in this stage is likely to be more comfortable for them. The work is clearly legally permissible; the primary focus is to provide financial resources; outcomes are likely to be more tangible and show foundation impact; and, the environment is likely to be less politically contentious.

“There are several strategies that foundations pursue to increase the rewards and reduce the risks of engaging public policy. While foundations advocate for broad systems and policy change, their actual activities are more narrowly focused and tied to the dynamics of the political and policy process.”

Jack Knott and Diane McCarthy

The breadth of engagement appears to be guided by a foundation's perception of the greatest opportunity for contribution, which is determined by a mix of its organizational imperative, the policy environment, and the efforts of other foundations. For example, among those

working in health, foundations with greater resources working at the state and local levels tend to use the full array of strategies and attempt to impact the process through the range of stages, rather than carving out a distinct niche.

Investor or Entrepreneur

Another important characteristic of a foundation's profile is the willingness to assume risk. It is clear from the discussion thus far that foundations that choose to engage public policy understand that there are inherent risks. But even among the foundations doing policy work, there is a range of risk-taking that is reflected in their strategic decisions about where and how to engage the policy process. Foundation involvement ranges from that of an investor to that of a policy entrepreneur.

Foundations that engage the process as an investor provide the funding that enables others to shape policy agendas, advocate for policies, and to work to see that they are effectively implemented. There are, however, some foundations that play an entrepreneurial role. These foundations are willing to incur risk by aggressively pursuing policy changes, not only by investing their dollars, but also by taking a proactive role in terms of pushing ideas, policy options, and in some cases, even solutions. They seek out partners that will develop policy ideas and build networks. In some instances, they will help to identify, create, and nurture them. In addition, they are willing to build and leverage their own connections (i.e., to use their own

political capital) with policymakers to realize policy change. The foundations that assume the role of a policy entrepreneur

understand the importance of knowledge and connections, in addition to their dollars, in leveraging change.

IMPLICATIONS FOR FOUNDATION PRACTICE

Engagement in public policymaking has important implications for foundation practice. Thus, foundations that choose to do policy work should consider what it takes to be effective in terms of their governance, staffing, grantmaking, and networks.

A foundation engaged in policymaking must be clear about its values, understand the political risks, and recognize the degree of ambiguity in impact and outcome that characterizes policy work. This implies that such work be conducted with the full support of the foundation's board. The board needs to understand the potential that such work can have on furthering the foundation's goals, and the conditions required for conducting such work, including resources, staffing, and grantmaking programs. Moreover, the board should have realistic expectations about the risks and likelihood of success as well as the length of the commitment required. After all, policy engagement presents an interesting paradox for foundations in an era of more strategic philanthropy – greater potential impact but less reliable evidence of effectiveness due to multiplicity of forces.

Foundations that are committed to engaging public policy require certain capacities beyond programmatic expertise. Two important skill sets for foundations engaged in public policy work are an understanding of the policy process – both the actors and institutions, in and around government, in the relevant policy domains – and strategic communications –

the ability to frame issues and generate support among the public and policymakers through communications. These capabilities are important both for foundations and for their nonprofit partners. It is increasingly common for foundations to appoint key staff with these abilities, though it is also possible to tap key consultants to work with the foundation and its nonprofit partners. Some policy areas require expertise of a specialized nature that may be difficult or inefficient to obtain through staffing. In such instances, as in environmental science, a foundation may rely on consultants to provide this expertise.

Another critical dimension is staff stability. As noted in the four cases, staff expertise is necessary but not sufficient. In order for foundations to be effective in public policy, they need to develop and nurture connections with those in the policy community, and with those in government, in particular. Stability among foundation executives and program staff that are engaged in these relationships is essential, as trust and respect take time to establish and such relationships tend to be personal in nature rather than institutional.

There are also implications for the grantmaking practices of foundations. Of course, the strategies that foundations adopt for their public policy work will have an important impact on grantmaking practices. The analysis of the law and policymaking processes provides some important insights about grantmaking. Obviously, grants for core operating

support provide foundations with a means to support nonprofit advocacy groups that are engaged in lobbying. Moreover, operating grants can be instrumental in building the capacity of nonprofits central to policy networks and consequently help to sustain those networks. However, this suggests that grantmaking be viewed as a tool for building the infrastructure for policymaking rather than as a means for supporting discrete projects. Given that policy processes are open-ended, multi-year funding commitments are pivotal.

Clearly, there are advantages if foundations can develop the capacity to work together, by sharing information and ideas, co-funding,

and collaborating. Such cooperative arrangements can take many forms, from ad hoc to more structured and formal arrangements such as affinity groups, collaboratives, and regional associations. Whatever the form, there is a need to ensure that the arrangements are equipped to advance the policy work of interest to the foundations involved. This may require realigning current foundation associations or developing new structures. In an era of decentralized policymaking mechanisms, which enable action locally and are then shared to create impacts elsewhere, working together can be a distinct advantage to the philanthropic community.

“The relationships that foundations develop with advocacy groups are sometimes quite complex. Successful relationships take time to develop and run two ways. Grantmaking, therefore, must be viewed as building political capital, not as a series of independent, one-time expenditures.”

Thomas Oliver and Jason Gerson

CONCLUSION

As foundations engage public policy, it is critical that they bring the full range of their assets to bear. Foundation grants are instrumental in funding research and development, advocacy, and implementation and evaluation. Yet, foundations can make an even greater difference if they view their role as larger than simply underwriting the activities of policy players.

Foundations are uniquely positioned to create the infrastructure for public policy – linking the knowledge, experts, and policymakers – that enables the conversations about public problems, policy alternatives, preferred solutions, and policy outcomes. They can choose to assume the role of policy entrepreneur. Foundations that assume such a role should understand that public policy work is not undertaken without risks, and without challenging well-established foundation practices. Each foundation needs to develop its own philosophy, strategies and tactics for advancing public policy, including whether to engage it in the first place, and if so, whether to simply invest in policy work or to adopt a more entrepreneurial role.

Foundations must also be ready to confront the tension that occurs between their role as social institutions with a long-term perspective and the increasing pressures to produce demonstrable results. Indeed, the paradox of policy engagement in an era of more strategic philanthropy is that the greater the potential for impact, the less reliable the evidence of effectiveness given the messiness of the policy process. As we have seen in all four of the policy areas studied, while foundations are interested in advocating for broad changes in public policy, their work tends to be more narrowly focused and linked intentionally to the realities of the policy process. Indeed, the tendency to focus on implementation is the result of the limited risks at that stage. As foundations from various viewpoints accept the challenge, the policymaking process will benefit, and philanthropy's contribution to society will be enhanced.

APPENDIX: EXECUTIVE SUMMARIES OF COMMISSIONED PAPERS*

Framework Papers

James M. Ferris and Michael Mintrom: “Foundations and Public Policymaking: A Conceptual Framework”

James Allen Smith: “Foundations and Public Policymaking: A Historical Perspective”

Thomas A. Troyer and Douglas Varley: “Private Foundations and Policymaking: Latitude Under Federal Tax Law”

Lucy Bernholz: “Critical Junctures: Philanthropic Associations as Policy Actors”

Policy Issue Papers

Thomas R. Oliver and Jason Gerson: “The Role of Foundations in Shaping Health Policy: Lessons from Efforts to Expand and Preserve Health Insurance Coverage”

Walter A. Rosenbaum: “Looking for High Leverage: The Changing Content of Foundation Engagement in Wetlands & Habitat Protection”

Jack H. Knott and Diane McCarthy: “Foundations, Public Policy, and Child Care”

Michael Mintrom and Sandra Vergari: “Foundation Engagement in Education Policymaking: Assessing Philanthropic Support of School Choice Initiatives”

*The full text of the commissioned papers is available online at the Center's website: www.usc.edu/philanthropy.

Foundations and Public Policymaking: A Conceptual Framework

James M. Ferris and Michael Mintrom

A critical element of effective philanthropy involves leveraging foundation assets - money, knowledge and connections - for solving public problems. In this vein, foundations face opportunities to maximize their impact on public problem solving by deploying the full range of their assets to shape public policy. In fact, as governmental decision making becomes increasingly devolved and decentralized, increasing opportunities have emerged for foundations to engage the policymaking process.

Foundations can leverage their assets to make a difference in policy areas of interest to them by:

- Funding activities that can potentially have significant effects on public policy.
- Creating stores of knowledge that can affect how others think about policy issues.
- Forging networks among individuals and organizations, bringing their knowledge, resources, and skills to bear on policy debates.
- Building good relations with influential policymakers.
- Developing reputations as credible, reliable policy players.

However, like all players in the policymaking process, foundations can improve the chances of attaining their goals by acting strategically. This requires that foundations pursue forms of policy engagement that are consistent with their missions, within reach given their resources, within the bounds of what is legally possible, and meaningful in the context of the policymaking landscape. Given the decision to engage public policy, foundations face the challenge of deciding where to engage the process, how to engage it, and how to deploy their assets.

Foundations have the potential to impact public policy at a myriad of points. There are many *stages* in the policymaking process, from problem definition to agenda setting, and from policy formulation to policy implementation and evaluation. There are various *venues* for public decision making, from ballot initiatives to the legislative process, and from administrative rules to judicial review. And, there are a variety of *jurisdictions* in a federal system of government: local, state, and national. Thus, foundations pursuing particular policy goals make choices - if not explicitly, then certainly implicitly - concerning jurisdiction, venue, and stage. These choices emerge from a set of feasible options given the institutional structure of the policy domain (e.g., schools, health, smart growth) and the organizational imperatives of each foundation.

As foundations work to determine where and when to engage in public policymaking, they face the additional challenge of determining what forms of engagement would be most effective, given their particular circumstances. Foundations interested in public problem solving work to understand problems and seek solutions. However, the forms of engagement noted above are correlated to different levels of intensity and require different levels of commitment. Foundations often fund work of policy relevance, including policy analyses, pilot programs, and technical support. However, such activities alone are not likely to have much impact. Foundations that intend to shape public policy therefore need to consider playing more active roles in influencing the policy environment through the building of knowledge and networks. Such actions can help to raise the public profile of problems and increase the chances that policymakers will place them on the policy agenda. At times when more active engagement in policymaking is desired, foundations often use their positions within policy networks to link with policymakers directly.

Once choices are made over where and how to engage the policy process, foundations then face choices concerning how to deploy their grantmaking assets: What should be funded? What form should it take? To the extent that foundation engagement is limited to funding policy-relevant work, grantmaking tends to be

programmatic and limited in duration. In those instances in which foundations are willing to commit to efforts to shape the policy environment, their grantmaking typically takes the form of operating support and of longer duration grants. This approach casts grantees as partners in the enterprise of policy engagement. The most active role for foundations involves choosing to engage with policymakers themselves by directly devoting resources to their own activities such as convening policymakers and policy experts and distributing reports.

Thus, foundation engagement with public policy requires that foundations assess how such a role will enable them to pursue their mission given their asset base, programmatic focus, and geographic scope. Given a decision to embrace a role in public policy, foundations need to determine where and how to engage the process and shape their grantmaking activities so as to achieve impact in the desired policy efforts. Such efforts require foundations to accept a level of risk and uncertainty since foundations are but one of many influential outsiders, their efforts are often pursued through nonprofit partners, and there is a considerable amount of luck in getting the various policy forces to align. But foundations are not likely to realize big policy payoffs unless they are willing to take such calculated chances.

Foundations and Public Policymaking: A Historical Perspective

James Allen Smith

From their earliest inception in the late nineteenth and early twentieth centuries, American foundations have been engaged in the public policy-making process. They have worked to shape policies by using the influence of their boards, by molding elite public opinion, by pursuing campaigns of public information and education, by creating demonstration projects, by using their financial resources strategically to leverage public funds, and by pursuing direct legislative lobbying, judicial strategies, and executive branch persuasion. They have worked at every level of government.

Clearly, many external circumstances have changed since the late nineteenth century: technologies for communicating with and engaging the public are different; the relative roles and responsibilities of the various levels of government in our federal system have shifted; the scale and diversity of nonprofit institutions operating in and around the political process have expanded; laws and regulations restricting nonprofit and foundation lobbying have come into force; among many other changes.

This paper looks back over nearly 150 years of foundation history to explore three questions about the role of foundations in public policymaking:

1. How and by what means have foundations sought to influence public policy?
2. What specific policy outcomes have they tried - and been able - to bring about?
3. What are and what ought to be the limits of their role in a democratic society?

But these questions should be formulated precisely and in the context of particular policy problems. The answers reside in the details. This essay, beginning with Peabody's work in the South after the Civil War, recounts the work of about a dozen foundations: the Russell Sage Foundation, Rockefeller Foundation, Carnegie Corporation, Robert Wood Johnson Foundation, and a cluster of conservative foundations. The tools and tactics they employ are often similar, whatever the era. The differences most often reside in the external environment, the specifics of the policy domain, the opportunities presented by differing political circumstances, and the changing expectations Americans have of the public sector.

Edwin Embree, long-time president of the Rosenwald Fund, spoke of the “enlightened opportunism” pursued by the Fund during its thirty years of operation. It is a sage and useful phrase. Successful engagement in the policymaking

process is a consequence of patience, serendipity and opportunities shrewdly seized, all of which make sweeping theoretical generalizations about the foundation role in policymaking difficult.

Private Foundations and Policymaking: Latitude Under Federal Tax Law

Thomas A. Troyer and Douglas Varley

The federal tax law provides considerable latitude for private foundations to participate in the formation of public policy. Although special restrictions apply to influencing legislative decisions and to election-related activities, much room remains for foundations to play a significant role in the formation of public policy. Our paper will review the applicable federal laws and provide examples of the kinds of work private foundations may support or conduct themselves.

The “Lobbying” Restriction: Basic Rules

All charities are subject to revocation of their tax-exempt status if a “substantial part” of their activities is “lobbying.” Private foundations, however, are subject to an additional, tighter rule that prohibits them from spending any funds on lobbying. Despite these restrictions, the law allows

foundations to play a significant role in the formulation of legislative policy. How is this possible? First, the federal rules define “lobbying” very narrowly to exclude many activities that can affect legislative decisions. Second, the law contains robust safe harbors that permit foundations to make grants to public charities that lobby without having the grantee’s lobbying attributed back to the foundation.

What Lobbying is Not

Whether an activity is lobbying under the foundation rules depends on the content of the communication and the identity of the recipient. Hence, the law applies an objective “magic words” test to determine whether an activity violates the no-lobbying prohibition. It is what the foundation says that matters, not the organization’s subjective intent in making the communication.

If the recipient of a communication is a government official, a communication is “lobbying” only if it “refers to” and “reflects a view” on “specific legislation.” Consequently, for example, the law allows foundations to communicate with legislators about matters of broad social concern - as distinct from specific legislation - even if those matters are, or will be, addressed in legislation. This rule has enabled private foundations and their grantees to exercise significant influence on issues as diverse as funding for medical research, criminal sentencing, and education reform.

Similarly, the lobbying restrictions in no way impede foundations’ attempts to influence decisions by judges or actions by executive and administrative agencies such as the promulgation of regulations or the prosecution of enforcement actions. Thus, for example, foundations and their grantees were able to convince the Clinton administration to protect millions of acres in our National Forests as “roadless areas.” Now that efforts are underway to reverse this policy, foundations are again relying on the latitude they have to minimize the changes. Similarly, foundations are making grants to support a national public charity’s efforts to make sure that the Department of Agriculture keeps conservation a priority when the agency implements the new provisions of this year’s Farm Bill.

In addition to the broad avenues open to foundations to participate in administrative and judicial decisions, the federal law also offers significant, though more narrowly

defined, opportunities for work concerning specific legislation. Significantly, several exceptions to the general ban on foundation lobbying provide valuable tools for working with government officials to influence legislative action.

The rules are even more favorable for communications directed to the general public. In this context, foundations can conduct and support activities - including web pages, email alerts, media advertisements - espousing a particular view on specific legislation without violating the restriction on lobbying. Generally, the federal tax law permits foundations to communicate (or fund a grantee’s communication) with the public about specific legislation as long as the communication does not encourage the audience to contact a government official about the legislation. Consequently, subject to one relatively minor qualification, a foundation can safely pay for a radio or television message that criticizes or endorses a piece of pending legislation without contravening the tax law, so long as the message does not include a “call to action” encouraging listeners to contact a government official about the legislation.

Working with grantees to influence legislation

Because public charities are able to engage in a significant amount of lobbying, they can generally be more effective advocates for, or against, legislation than the foundations that fund them. Hence, for most foundations, the principal means

of participating in the legislative process is by supporting public charities that are working to achieve changes the foundation favors. The federal rules provide two safe harbors for foundation grants to public charities that prevent attribution of the grantee's lobbying to the foundation even if the grantee, in fact, uses the foundation's funds in lobbying. These safe harbors have enabled foundations to safely fund national advocacy campaigns opposing legislation that would weaken our environmental laws and promoting amendments that reform the funding of political campaigns.

Nonpartisan voter education and get out the vote activities

Federal law prohibits private foundations and other charities exempt under section 501(c)(3) from intervening in any political campaign on behalf of (or in opposition to)

any candidate for public office. In contrast to the bright-line rules that distinguish lobbying from permitted advocacy, the prohibition against campaign intervention involves a more vague “facts and circumstances” analysis. Nonetheless, the IRS has identified a number of nonpartisan voter education activities that foundations may safely support or conduct themselves. Specifically, charitable organizations, including foundations, can sponsor candidate debates, publish candidates' responses to questionnaires, and distribute candidate voting records. Detailed restrictions apply to each of these activities, intended to ensure that the event or publication is strictly neutral among the candidates. Finally, private foundations can fund nonpartisan “get out the vote drives” and, under more stringent requirements, voter registration drives.

Critical Junctures: Philanthropic Associations as Policy Actors

Lucy Bernholz

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.

The Role of Foundations in Shaping Health Policy: Lessons from Efforts to Expand and Preserve Health Insurance Coverage

Thomas R. Oliver and Jason Gerson

This study seeks to highlight the commonalities as well as the distinct interests, resources, and strategies of foundations in the area of health policy. It reviews and compares the activities of twelve foundations, including a select number of national foundations, a new breed of state health foundations, and some local foundations that consciously participate in health policy matters. Since the field of health policy is extraordinarily broad, this paper focuses its analysis on foundation activities aimed at expanding or protecting health insurance coverage. The issue is serious, persistent, and provides valuable insight into the connections between philanthropy and public policy.

A key problem facing the policy community, including foundations concerned with gaps in insurance coverage, is that many individuals do not take coverage offered to them in private or public programs. Thus, foundations are faced with two basic challenges. First, they must support strategies to improve take-up rates for existing programs. Second, they must also help develop initiatives to provide insurance coverage for individuals who do not currently qualify for employer-sponsored or public programs.

Most foundations invest in a very broad set of activities to achieve their policy goals. These diverse activities fit into three basic strategies for shaping public policy:

1. *Educate the public and members of the policy community*
2. *Invest in the development and demonstration of new institutions and policy options*
3. *Support capacity-building and advocacy efforts*

Building on twelve individual profiles of foundation activities, the study presents an overview of these foundations' choice of issues, audiences and partners, jurisdictions, and stages of involvement in the policy process. It identifies some clear patterns in the allocation of resources and examines what those patterns suggest about foundation preferences and capabilities for improving health insurance coverage.

Due to the nature of health care financing and delivery in this country, all of the foundations have devoted resources to improving private insurance coverage as well as protecting and expanding public sources of coverage. All of the foundations, however, accept the premise that governmental action is critical to solving the problems of more than 40 million uninsured Americans and they view public policy as a way to leverage

the relatively limited resources they can devote to this issue. In the end, most foundations find themselves funding a combination of activities—public and private, and at different levels of the system. Some grants support policy or program development aimed at long term systemic change, while other grants support the delivery of discrete, short term services. While this study focuses on foundation efforts to change public policy, it is important to recognize that support for direct services may at times be a logical complement and not a competitor to systemic solutions.

The study also draws several lessons from these foundations' efforts:

LESSON 1 *Foundations are not strictly leaders or followers on the issue of health insurance coverage.*

LESSON 2 *While foundations can adopt different strategies in the public policy arena, those strategies become less differentiated for foundations with greater resources and for foundations focused on state or local initiatives.*

LESSON 3 *It is necessary but not sufficient for foundations to develop expertise in health policy.*

LESSON 4 *Foundations must clarify whether they can best meet their goals as investors or as entrepreneurs in the policy process.*

LESSON 5 *The test of foundations' capacity to solve critical social problems lies in their collective contributions, not their individual roles in the policy process.*

The limited progress toward universal coverage can hardly be attributed to foundation boards and staff wary of political controversy. As a number of foundation leaders point out, a few billion dollars of philanthropy does not go far in a \$1.5 trillion health care system. Nonetheless, the potential impact of foundations might be more highly leveraged through stronger, more selective advocacy and also through stronger collaboration among foundations.

The process of policy innovation requires the collaboration of different types of leaders—inventors of policy ideas, investors, promoters, and managers. But it also typically requires “policy entrepreneurs” who take the lead in that collaboration—entrepreneurs recombine intellectual, political, and organizational resources into new products and courses of action for government. The most distinguishing trait of policy entrepreneurs is their singular focus on a specific idea for new governmental procedures, organizations, or programs, and the significant professional and often financial stakes they place in those ideas. Policy entrepreneurs can and often do come from outside of government, even though their success depends on recruiting government insiders who have key positions and the political capital to move their proposals forward.

Foundations are clearly capable of becoming entrepreneurs in the policy process. Alternatively, foundations may choose the role of investor, providing financial support, technical assistance, access to decision makers, and prestige to one or more groups promoting their own ideas for improving public policy and public health.

There is a fundamental difference in these two roles and important implications for the allocation of foundation resources. In general, the national foundations in this study have consciously avoided endorsing particular solutions to the problems of the uninsured. In contrast, nearly all of the state and local foundations have selected—indeed, sometimes created—particular policies or administrative arrangements that they want government to adopt. Due to their more limited resources, local foundations appear to focus their health policy efforts on one principal initiative at a time.

There are many possible reasons why foundations would shy away from the role of policy entrepreneur and prefer that of investor. The choice involves practical issues of the amount of resources available to address an issue and the proximity of the foundation to key actors in the policy community. The choice also depends on whether the foundation's board and staff are willing to commit themselves to a specific initiative for a lengthy period of time.

Nonetheless, at whatever scale and in whatever manner foundations pursue an expansion of health insurance, they must

confront the question of whether they might increase their effectiveness by not only helping develop products for policy-makers, but also engaging in more selective, forceful advocacy of their preferred products. The evidence from this study suggests that focused advocacy efforts might well be put to greater use in foundation efforts to protect and expand health insurance across the nation.

If there is a lesson that smaller, more local foundations can teach larger foundations, it is the importance of establishing and sustaining a specific policy design and marshalling resources to support it through close public-private partnerships. One approach is to pool resources into a single, foundation-sponsored initiative. Another approach is to establish informal collaboration in support of a government or community-based initiative.

Collaboration is primarily a means to an end, not an end in itself. There are two key issues regarding collaboration among funders and their operational partners in any initiative. First, are resources sufficient to meet the agreed-upon goals of the participants? Second, is the combination of activities comprehensive, incorporating each of the three strategies needed to maximize the likelihood of reshaping public policy?

Even in a best-case scenario of collaboration, foundations can rapidly approach boundaries to further progress on the issue of health insurance coverage. Without a single,

well-endowed source of responsibility or success in persuading governmental officials to adopt the program, even the most skilled policy entrepreneurs within the world of philanthropy cannot sustain expansions of coverage—even modest ones—because of their extraordinary financial costs. At all levels of the political

system, the financial and political costs require collaboration among foundations. Significant commitment and communication will be required, however, to work out the most effective configuration of roles and resources for protecting and expanding health insurance coverage across the nation.

Looking for High Leverage: The Changing Content of Foundation Engagement in Wetlands & Habitat Protection

Walter A. Rosenbaum

In the year 2000, nonprofit philanthropies invested more than \$700 million in grants promoting environmental protection and conservation. This is a 350 percent increase in environmental grantmaking since 1990. This suggests that foundations are assuming an increasingly significant role in national environmental affairs and, in particular, that they may increasingly seek to leverage their influence in environmental policymaking. The largest portion of this environmental grantmaking, and the greatest increase since 1990, has been for conservation of land, water and wildlife. Using resource conservation as the policy focus, this research investigates the rationale for foundation engagement in public policymaking, describes and explains the major strategic and tactical choices selected for this engagement, and

discusses how foundations evaluate the effectiveness of such engagement.

The research concentrates upon foundation involvement in two of the world's largest contemporary conservation efforts, both within the United States: central California's CalFed Project embracing more than a third of California's land area and the South Florida (Everglades) Restoration Project, which includes more than 25,000 square miles of wetlands and species habitat within the unique Everglades ecosystem, stretching from Orlando to Key West. These projects were selected for several reasons: the salience of conservation in overall foundation grantmaking; the enormous scope and political importance of the specific projects; and their significance in representing the emerging trend toward

‘ecosystem management’ as a fundamental framework for federal, state and local conservation policymaking.

The narrative, based on research conducted during 2002 and 2003, includes five specific topics: (1) why foundations choose to be engaged in these policy domains; (2) what jurisdictions (national, state, local) were preferred; (3) which venues (executive, judicial, legislative, administrative) were selected for engagement; (4) what strategic and tactical choices were made concerning instruments for exerting influence; and (5) how foundations evaluated the effectiveness of their policy engagement. In addition to customary library and media sources, additional information was provided by interviews with thirty-two program officers and institutional officials representing foundations and advocacy groups involved in the California and Florida ecosystem projects, and statistical data provided by the Foundation Center and The Center on Philanthropy and Public Policy.

The research reveals that numerous foundations, many among the largest environmental grantmakers, were actively committed to influencing public policies related to both projects. Incentives for this engagement include the foundations’ regional location, a specific mission to influence public conservation policy, the employment of a new program manager with a new policy agenda, and an increasing sensitivity among program officers and consultants to the importance of an ‘ecosystem’ approach to conservation.

Two non-foundation institutions, “affinity groups” and independent consultative organizations, also appear to have significantly influenced foundation decisions for engagement in ecosystem projects. However, engagement in the California and Florida projects, like foundation involvement in conservation policymaking nationally, is very ideologically asymmetrical. Politically ‘free market,’ ‘libertarian,’ and conservative foundations almost entirely confine environmental policy engagement to grants supporting public interest litigation organizations and think tanks committed to propagating ideologically conservative environmental policies.

In terms of venues, greater foundation interest in ecosystem management policy has meant more engagement with policymaking and policymakers at state and local government levels. Jurisdictionally, the foundations involved in the California and Florida projects appear to follow an emerging national trend within environmental grantmaking to give more attention to influencing the policies of administrative agencies responsible for implementing ecosystem planning. Strategically and tactically, the foundations studied heavily employed traditional grantmaking to environmental advocacy groups for ‘capacity building,’ for increased legislative and public advocacy of environmental policy, and for the development of an improved network among environmental advocates. Among the more innovative uses of grantmaking evident in California and Florida

were funding of (1) public opinion studies, public workshops and information bases for public officials at the state and local level to affect public policy; (2) more scientific and technical research to support environmental policy advocacy (a manifestation of greater foundation concern to create 'sound science' for environmental policy-making); and (3) the creation of consultative groups to promote 'cutting edge' environmental policy concerns on the agendas of other foundations.

Several issues merit further attention. The most important is how continued environmental policy advocacy, and

advocacy groups, will be affected by the economic recession and the sharp decrease in foundation assets beginning in late 2001. A second significant issue is how currently active environmental grant-makers will choose priorities and funding levels in the future. Finally, the highly contingent level of future environmental grantmaking raises concern about the viability of advocacy organizations and continuing programs heavily dependent on foundation support. This, in turn, poses the question of how dependent upon foundation funding are advocacy group policy agendas.

Foundations, Public Policy, and Child Care

Jack H. Knott and Diane McCarthy

Foundations became interested in child care programs for many reasons, but the most important reason was the research on early childhood development and after-school programs. This research showed that how children spend their time while not in school has a significant effect on their performance in school and on their future positive behavior as adults. Foundations that had funded medical and clinical research on children's health shifted much of their focus to child care. Foundations concerned with low income children and families eventually included child care in their repertoire of programs. Even programs targeted at foundation funding for in-school issues began to emphasize out-of-school programs. In 2002, a survey of the major foundations with multiple programs targeting children and families showed that the most common emphasis was on child care.

Most foundations that fund child care programming also became interested in public policy related to child care. There were two primary factors that engaged foundations in child care policy. One was the passage of the federal block grant and Title IV, which gave the states flexible funds for universal child care. This act was an excellent opportunity for foundations to make a difference with their limited resources by funding activities in states

that were passing legislation and implementing child care programs. The other factor was the passage of the welfare reform bill which required welfare recipients, including those with children, to move from welfare to work, even if they were single parents. In the eyes of the major foundations, this legislation greatly heightened the need for child care programs for the poor. This convergence of a major perceived problem and a policy opportunity encouraged many foundations to invest in programs that sought to improve and expand child care policy.

This paper looks at twelve large national foundations active in the area of child care, including early childhood education and after-school programming, and analyzes how each foundation's choice of programs and extent of involvement in the policy process reflects its perceived risks and windows of opportunity. Program officers at the twelve foundations were surveyed about their child care programs and what their foundations do to engage child care policy. A variety of published resources, including web sites, were also researched. Senior officers from four foundations were interviewed for more detailed information about the risks and opportunities they perceive and how those influence their program and policy choices.

The study focuses on the types of strategies that foundations have employed to engage child care policy. Differences in strategy are based on the perceived risks and opportunities that foundation program officers and members of the foundations' boards of trustees confront in choosing to fund particular initiatives. Program officers are judged on the success of their programs, which gains the foundation a reputation for effectiveness. Members of the board are concerned about success but worry also about the reputation of the foundation with constituents and communities. The expectation is that foundations will try to protect themselves against undue risk, failure, or controversy while looking for opportunities to fund initiatives that have a likelihood of making a difference in public policy and in program outcomes.

The policy strategies chosen are related to the perceived risks the foundation confronts. Many of those risks are political, both internal and external to the foundation. Differing agendas among program officers, the president, and the board can result in a good program being turned down because members of a foundation measure success differently. External conflicts occur when a foundation's efforts are closely tied to certain elected officials who may not remain in office. Turnover in political regimes changes the policy and fiscal environment in which foundations must operate, and makes it difficult for a foundation to establish long-term political alliances. Other risks come about when foundations give grants

to organizations to carry out their policy legwork for them. Involving more people and organizations in a cause, especially those who may be inexperienced or narrowly focused, introduces many unknowns and can be damaging to the foundation's cause.

Foundations pursue several strategies that both reduce their risk of exposure and accomplish their child care program and policy goals. Foundations have learned to rely on grantees and partners, and are skilled at forming collaborations among government, stakeholders, and funding sources. Partnering with the government can expose a foundation to more risk by tying a project closely to a potentially short-lived regime, but also can be an opportunity to influence policy directly. Foundations also invest in building grassroots support for their causes so that the local community will remain interested and active in child care and policy even after the grant period ends. Sometimes foundations engage in vertical integration, in which the policy effort and the program are part of one unified package under direct control of the foundation. Foundations also make the effort to build their own reputations as policy and issue experts.

Risk is also related to the stage at which foundations get involved in the policy process. They can get involved at an early stage by funding demonstration projects; a successful, well-publicized project will build support from the ground up and attract the attention of policymakers and advocates. Such an indirect strategy usually involves relatively few political risks and can give

the foundation a reputation for innovative programming. National demonstration projects, however, require substantial funding and are carried out mostly by the larger foundations. On the other hand, for less money but with greater political risks, a foundation can become involved in the later stages of policy development by conducting policy research on existing programs and policies. This is a more direct attempt to influence policy, as the foundations fund studies of best practices and share their results with policymakers. Foundations also fund simulation and forecasting analyses of alternative policies to show their cost advantages or their superior impact on children and families. These studies are frequently combined with funding for advocacy groups who use this new information to advocate for policy change.

Foundation officers are also skilled at finding windows of opportunity and positioning the foundation to take advantage of them. Major legislation might provide public funds to the states, which encourages policy change. The foundations can become involved with designing and implementing programs in those states. Political climate is critical to success in policy, and foundations are attentive to elections or legislation that could suddenly bring their policy interests to the forefront. They also spend money trying to influence the “public will” to make it more favorable to policy change. Federal government block-grants to the states also give the foundations an opportunity to influence policy design and implementation.

The way the money is to be spent is as yet undetermined and can be influenced by new information or demonstration projects in the states. In these ways, foundations tie their initiatives and funding to the policy windows of opportunity in the political process.

Given the risks and opportunities that foundations confront, are they then innovators or followers in child care policy? In general, they are followers, because taking the lead in a policy effort exposes the foundation to the risk of failure to bring about any change. If the government and communities aren’t supportive, the foundation funding will not make that much difference. However, as windows of opportunity open in the political process for taking action on programs that foundations care about, they have acted in innovative ways, even if they are not initiating new policy efforts, and have been critical in helping the states design, fund, and carry out effective child care programs. They provide creative project financing, fund research on the development of institutional knowledge and best practices, and are skilled at building coalitions and partnerships. These partnerships and network coalitions conduct policy research, hold conferences, jointly fund projects and initiatives, partner in program delivery, and carry out evaluation research. These activities are among the most effective ways foundations can engage child care policy, from agenda setting through implementation to evaluation.

Foundation Engagement in Education Policymaking: Assessing Philanthropic Support of School Choice Initiatives

Michael Mintrom and Sandra Vergari

Since the mid-1980s, many states and localities in the United States have introduced public policies designed to give parents more choice over the schools their children attend. At the same time, a variety of private efforts have been made to secure more choice for families, especially those living in low-achieving public school districts. In this paper, we examine the strategies that philanthropic foundations have used to gain influence in debates concerning school choice. We focus on two elements of the school choice movement: (1) the rapid emergence of charter schools and (2) the efforts that have been made to achieve public voucher programs. Foundations have done much at the national level since the mid-1980s to promote school choice as a policy idea. Although foundations appear to have played a relatively limited role in securing legislative support for the adoption of charter school laws, foundations have done much to support policy implementation and to nurture the fledgling reform. With regard to efforts to secure publicly funded education vouchers, the foundation role has been critical. Here, we find foundations seeking to influence the policy agenda principally by using demonstration projects to generate evidence that voucher programs work – be they publicly or privately funded.

To gain insights into foundation efforts to support the rise of school choice, we document foundation activities in two states: California and New York. We have deliberately chosen to locate foundations and their work within the broader educational policymaking environment found in these states. Taking this approach, we reveal how foundations have worked with and alongside other policy players with the goal of promoting, securing, and supporting policy change. Through this exploration, we identify some common strategies that foundations have been using to promote discussion and debate concerning school choice.

The paper is built around answering five research questions:

1. How and why have philanthropic foundations supported the rise of school choice, as manifested in the emergence of charter schools and the support of voucher programs?
2. What types of resources and strategies have these foundations employed in pursuit of their objectives?

3. What choices have they made with regard to the selection of jurisdictions in which to work, stages of the policy-making process to target, policymaking venues (legislative, judicial, ballot initiative), and types of instruments to deploy?
4. What have been the outcomes of foundations' efforts to support charters and vouchers?
5. What lessons for theory and practice emerge from these findings?

Our investigations produced the following findings. First, foundations and individual philanthropists in both states have provided significant sums of *financial support* to voucher and charter initiatives. Moreover, foundation efforts have been made to establish private voucher programs and permit students to escape failing public schools.

Additionally, wealthy philanthropists at the local level have supported noteworthy school choice initiatives. In total and over time, these initiatives – some supported primarily by national foundations, some by local foundations, and others by joint efforts – have prompted a great deal of discussion about education reform among scholars and policymakers, and in the popular press, just as the foundations and the school choice policy entrepreneurs whom they support had intended.

Second, foundations have supported *research and information dissemination* on school choice initiatives and their implications. Many foundations have been skillful in attracting favorable media attention for their school choice initiatives. They have sought to highlight the benefits of school choice for children, families and society as a whole and shape national and state-level policy conversations.

Third, foundations have forged valuable local, state, and national *networks* dedicated to the school choice concept. School choice activists and their foundation allies discuss policy challenges, opportunities, and strategies with one another via phone conversations and organized gatherings.

Fourth, foundations have been *recognized by governors and other policymakers* for their contributions to school choice efforts. Personnel closely associated with foundations have cultivated valuable relationships with local, state, and federal officials. Among other things, these foundations have operated model school reform demonstration programs. Finally, foundations have *gained respect and credibility* for their approaches and activities.

During our investigation, we also discovered several additional patterns that are connected to the aforementioned dynamics. Among these, we found that the “movers-and-shakers” in the school choice foundation world have impressive backgrounds in the corporate and investment sectors. This cache of business and investment acumen enhances the ability of foundations to

make strategically wise decisions when choosing where and how to focus their support of school choice advocacy. Moreover, these foundation leaders are helping to bring private sector concepts to discussions about public education. It is easy to understand the appeal of market-based school choice programs to successful business leaders with a natural affinity for entrepreneurship and marketplace principles as well as experience in a competitive marketplace.

To those who are not fully attuned to the motivations behind this development, private voucher efforts might appear as nothing more than charity. But it is charity explicitly designed to send important messages to policymakers about problems in the traditional public school system and how those problems might be appropriately addressed. In New York, this charity work was crucial for helping specific foundations gain legitimacy as players worthy of a close hearing in public policy-making circles. While foundations do not have authority to propose a bill, sign a bill into law, or hand down a court ruling, they wield significant power in the education policymaking arena.

According to our findings, foundations that support school choice advocacy, by engaging in it directly or by funding the efforts of others, are particularly active in the policymaking process at the problem definition, agenda setting, and policy implementation stages. As well as doing much to promote the creation of a public climate that is supportive of education vouchers, foundations have played a crucial role in protecting school choice policy successes. Thus, their efforts to support the charter school movement have helped ensure that, in the space of a decade, charter schools have become an accepted part of the educational landscape, at the local, state, and national levels. At all times, foundations and their allies supporting school choice have had to find ways to pursue their policy goals in the face of fierce opposition from the more established, embedded advocacy coalition representing the traditional public education system.

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