

# The Center on Philanthropy & Public Policy

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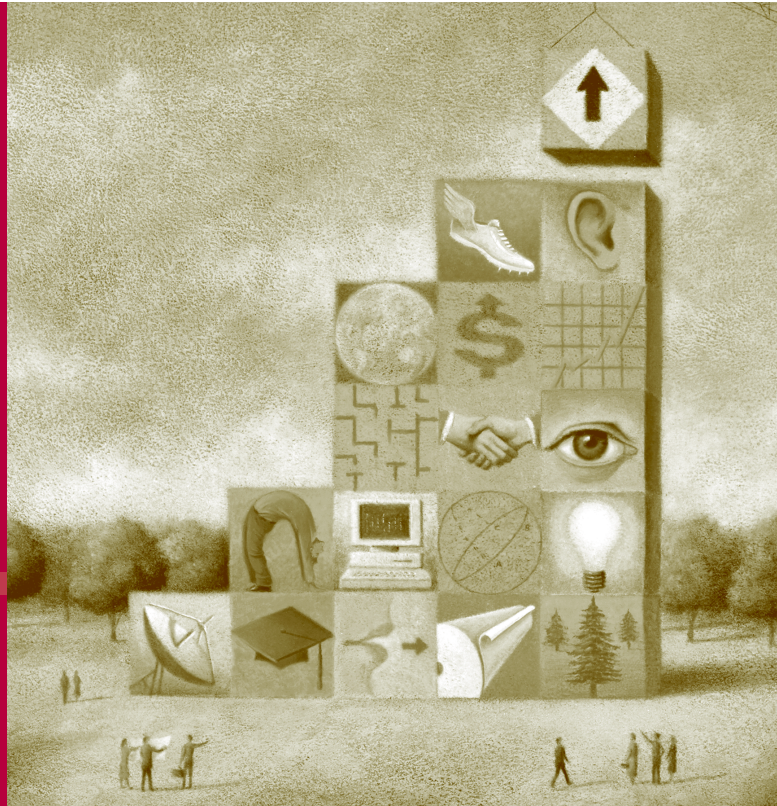
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## Foundations & Public Policymaking Leveraging Philanthropic Dollars, Knowledge, and Networks

*Foundations and Public Policymaking: Leveraging Philanthropic Dollars, Knowledge, and Networks* examines the choices foundations face when they engage in the policymaking process. As a natural extension of their efforts to address public problems, foundations have a range of assets – dollars, knowledge, and networks – that can be leveraged to impact public policy.

Fiscal constraints and a more limited government response to public challenges are creating interest, as well as new opportunities, for engagement in the public policy process. This work is not without risk however, and foundations are wise to carefully consider their involvement. If a foundation does decide to engage, it must decide how, where, and at what level to become involved.

This report aims to help foundations examine their options for impacting public policy and the implications of policy engagement for foundation practice. Specifically, it explores the strategies for foundation involvement in public policymaking and the associated benefits, costs, and risks of this involvement. In the process, three critical questions are addressed: 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? And, what are the implications for a foundation that chooses to leverage its philanthropic assets to impact public policymaking?



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This report reflects the combined efforts of an interdisciplinary team that explored the dimensions of foundation participation in the policymaking process and examined recent foundation efforts to impact public policy. This study also benefited from conversations with participants at a Center-sponsored 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 in funding this study.

## The Decision to Engage

Engagement in public policy requires a foundation to make a conscious choice, based on careful consideration of a variety of factors. Among the most critical are internal factors including the foundation's mission and philosophy and its scale and scope, as well as external dynamics such as legal restrictions and the policy environment.

***Mission and Philosophy:*** Does the foundation view its mission as being consistent with public policy engagement? Some foundations have been created to intentionally work to shape public policy on a topic of particular concern to the donor. In other cases, foundations are established to purposefully serve as an alternative to government. Still others may view public policy engagement as an important strategy in pursuing its mission and decide to engage in public policy work as an extension of their programmatic efforts.

***Scale and Scope:*** It stands to reason that foundations of greater scale (i.e., size of assets), and scope (i.e., geographical areas of interest) will have a greater inclination to engage public policy and are better positioned to undertake policy work, particularly at the national level. However, this is not always the case. There are ample opportunities for foundations to impact public policy at the state and local levels. Also, foundations of limited scale and scope may work together with other foundations.

***The Law:*** Despite widely held perceptions in the foundation community, federal law provides considerable latitude for private foundations to engage in public policy work. While foundations are prohibited from engagement in electoral politics and lobbying, this does not preclude public policy work by foundations. Foundations can play an important role in framing issues, developing public will, funding advocacy organizations, and supporting policy implementation and evaluation. In addition, foundations can work with public agencies to implement policy and can fund the work of organizations engaged in impacting public policy through the courts.

***Philanthropic Environment:*** The activities of other foundations may shape the decision to engage and also inform the strategic and tactical decisions of participation. For example, foundations that prefer to act alone might refrain from entering the policy arena if others are already engaged, or choose strategies and tactics that complement the work of other funders. For others, having some foundations already in the policy arena might induce them to engage in public policy work. Conversely, a foundation may also choose to enter a policy arena to counter the work of other foundations. In addition, the presence of funder collaboratives, affinity groups, and other structures may offer a foundation a way to overcome the limits of scale and scope as well as the ability to spread financial and political risk, thereby encouraging some relatively smaller and more cautious foundations to participate.

## Strategies and Tactics

Once a foundation decides to engage in public policy work, it must determine how it will leverage its philanthropic assets to impact public policy consistent with its mission, appropriate to scale and scope, legally possible, and reflective of the broader philanthropic landscape. It is critical that a foundation understand that its assets include money, knowledge, and networks, and identify strategies and tactics to leverage those assets for maximum effect.



## Where to Engage?

Public policymaking is multi-dimensional and provides a variety of points at which a foundation may enter and participate. The differing stages in the process, the venues where public policy decisions are made, and the level of government (local, state, and national) where issues are considered, all offer options for pursuing policy goals. The challenge is to determine at what point a foundation can best leverage its assets and the resources and capacities needed to do so. Linking a foundation's grantmaking strategies to the different policymaking stages, venues, and jurisdictions is an important element in such an analysis.

## How to Engage?

There are as many options for how to engage, as there are places to do it. Foundations must choose how to best bring their resources to bear on their chosen point of leverage. 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. Potential strategies include: funding nonprofit advocacy groups that are actively engaged in promoting policy agendas that resonate with the foundation's values and mission; working with others of like minds in the funding community—from information sharing to joint funding—to create policy networks; and building its own capacity by conducting research and analysis, convening the policy community, and/or working with policymakers.

## How to Deploy Foundation Assets?

Foundations face critical choices in the deployment of their assets, particularly their financial resources. Foundations may choose to limit their engagement to funding the policy-relevant work of others. Often this means providing operating support and grants of longer duration, and casting grantees as partners in the enterprise of policy engagement. The most active role for foundations involves choosing to engage directly with policymakers through conversations about problems, issues and solutions, without direct reference to specific legislation.

Thus, foundation engagement in 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. Such efforts require foundations to accept a level of risk and uncertainty, and 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 involvement.

## Philanthropic Assets for Public Policymaking

Foundations have a range of assets—dollars, knowledge, and networks—they can leverage to achieve their policy objectives:

- **Dollars:** Foundations can use grantmaking dollars to fund activities, programs and organizations, to promote ideas, to demonstrate viable alternatives, and to ensure policy implementation.
- **Knowledge:** Foundations can foster the development of creative thinkers and knowledge by funding research and fellowships that can shape the thinking of others, and the dissemination of that information. They can also share the information and knowledge that they have developed through their own experiences in policy areas.
- **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.

## Lessons from the Field

In an effort to gain a deeper appreciation for the nuances of foundation engagement in the policy process, four policy issues were examined: school choice, wetlands preservation, child care, and health insurance coverage. From these analyses, several important observations emerge that are instructive for foundations pursuing such efforts.

***The Complexity of the Policy Process:*** Policymaking is messy, unpredictable and uncertain, beyond the control of any individual or organization, and an open-ended proposition. As a consequence, participation is not without risk in terms of producing tangible, demonstrable results and requires a long-term commitment.

***Multiple Paths:*** The path to public policy engagement is not linear or singular. Foundations come to public policy work in various ways and with differing views and purposes. Some foundations begin with a mission to create change by affecting public policy. Other foundations come to engage public policy after recognizing that grant dollars can only go so far in creating important social change. Regardless of the route, foundations have important roles to play, and can do so more effectively if they are strategic in leveraging the range of assets that they possess.

***Issues or Solutions:*** Some foundations engage the process in an aggressive manner, trying to force a particular solution, while others seek to address problems of particular concern by searching for possible solutions. The starting point in the process often shapes participation. 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. Still others come to be involved in specific policy issues because of the related impact on the primary mission of their foundation.

***Niche vs. Broad-Based Approaches:*** Some foundations use a more encompassing approach by working on multiple points while others are committed to filling particular niches. Foundations that adopt a broad-based approach often work to move an issue from agenda setting to adoption, and ultimately policy implementation; or they conduct 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 work at the front end in terms of problem definition, agenda setting, and creating a public will for action. Those foundations that target a single point most frequently seem to focus on the implementation stage. The choice of approach appears to be guided by a foundation's perception of the greatest opportunity for contribution, determined by a mix of its own organizational imperative, the policy environment, and the efforts of other foundations.

From these cases, it is clear that foundations that engage public policy must be committed. Successful policy engagement requires that foundations be clear about their purpose, committed to public policy work for the long term, and strategic. They must also be flexible and responsive to the opportunities that emerge and willing to deal with the ambiguity of the process and results. Emerging from this analysis are profiles of foundation engagement in public policy that range from that of an investor to that of an entrepreneur. The investor profile involves funding that enables others to shape policy agendas, advocate for policies, and to work to see that they are effectively implemented. Those that play an entrepreneurial role are willing, to a greater degree, to incur risk in terms of aggressively pursuing policy changes. They not only invest their dollars, but also take a proactive role by seeking out partners that will create ideas and build policy networks, as well as building and leveraging their own connections with policymakers to realize policy change.





## Implications for Foundation Practice

Public policy engagement has important implications for foundation practice in terms of governance, staffing, and grantmaking.

As a foundation enters into the policymaking arena, a clear understanding of its own values and the political risks and ambiguity inherent in policymaking is essential. This requires the full support of the foundation's board, including realistic expectations about the risks and likelihood of success, as well as the length of the commitment required.

Foundations that are committed to moving public policy also require certain capacities beyond program expertise. Foundations engaged in public policy need an in-depth understanding of the policy process and the ability to frame issues and generate support among the public and policymakers through strategic communications. In addition, staff stability is important as foundations need to develop and nurture connections with those in the broadly defined policy community, and in government in particular.

Grants for core operating support are important. They provide foundations with a means to support nonprofit advocacy groups that are engaged in lobbying, build the capacity of groups central to policy networks, and help build and sustain those networks. This suggests that grantmaking be viewed as tool for building the infrastructure for policymaking, rather than as a means for supporting discrete projects. Also, given that policy processes are open-ended, multi-year funding commitments are essential.

Foundations also benefit from the capacity to work together. Whatever form these collaborations take, there is a need to ensure that they advance the policy work of interest to the member foundations. This may require that current foundation associations be realigned or that new structures be developed. In an era of decentralized policymaking mechanisms that enable action locally and are then shared to create impacts elsewhere, new forms of collaboration can be developed to the advantage of the philanthropic community as a whole.

## Conclusion

As foundations engage public policy, it is important that they bring the full range of their assets to bear. Grants are instrumental in funding research and development, advocacy, and implementation and evaluation. But foundations can make a 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 stimulates conversations about public problems, policy alternatives, preferred solutions, and policy outcomes.

Yet, foundations 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 and 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. As foundations from various viewpoints accept the challenge, the policymaking process will benefit, and philanthropy's contribution to society will be enhanced.

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. The Center communicates its findings and convenes leaders from the philanthropic, nonprofit, and policy communities to help them identify strategies for action.

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## Commissioned Papers

The full-length report and research papers are available online at:  
[www.usc.edu/philanthropy](http://www.usc.edu/philanthropy).

## Framework Papers

**James M. Ferris**, University of Southern California, and

**Michael Mintrom**, University of Auckland:

*"Foundations and Public Policymaking: A Conceptual Framework,"*

RP-10, May 2002.

**James Allen Smith**, The J. Paul Getty Trust:

*"Foundations and Public Policymaking: A Historical Perspective,"*

RP-11, May 2002.

**Thomas A. Troyer**, Caplin & Drysdale, and

**Douglas Varley**, Caplin & Drysdale:

*"Private Foundations and Policymaking: Latitude Under Federal Tax Law,"*

RP-12, May 2002.

**Lucy Bernholz**, Blueprint Research and Design, Inc.:

*"Critical Junctures: Philanthropic Associations as Policy Actors,"*

RP-13, May 2002.

## Policy Issue Papers

**Thomas R. Oliver**, Johns Hopkins University, and

**Jason Gerson**, Johns Hopkins University:

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

RP-15, August 2003.

**Walter A. Rosenbaum**, University of Florida:

*"Looking For High Leverage: The Changing Content of Foundation Engagement in Wetlands & Habitat Protection,"*

RP-16, August 2003.

**Jack H. Knott**, University of Illinois, and

**Diane McCarthy**, University of Illinois:

*"Foundations, Public Policy, and Child Care,"*

RP-17, August 2003.

**Michael Mintrom**, University of Auckland, and

**Sandra Vergari**, University at Albany:

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

RP-18, August 2003.