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OPINION

Don’t Destroy Foundations’ Ability to Respond to the World’s Next Crisis

By Joanne Florino

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When it comes to making decisions about giving during this time of enormous need, responses from private foundations have been as varied as their missions and grantees. Some immediately approved significant increases in the share of assets they distribute, while others declared they would stick with giving at or near 5 percent of their assets, according to a study by Cambridge Associates. A third group declared themselves open to spending more depending on health and economic trends or existential threats facing grantees.

Critics of philanthropy may see this mixed response as the defining problem of private giving. It is messy, uncoordinated, often contradictory, and funds all sorts of charities rather than focusing on the what-should-be-obvious central problems of American society. Others — myself among them — see this instead as the defining *advantage* of both individual generosity and institutional philanthropy.

The broad range of causes and organizations funded by nongovernmental dollars, the increasing number of ways donors can deliver those dollars, and the many timetables on which those dollars are expended all make for a vibrant civil society that is nimbly responsive, deliberately experimental, and determinedly focused all at the same time. This "riotous patchwork," notes Karl Zinsmeister, author of *The Almanac of America Philanthropy*, "can be a thing of great beauty."

For this reason, determinations about how much foundations give beyond the mandatory 5 percent should be left to those who understand their missions, are obligated to honor them, and have the authority to change direction as conditions warrant. Current efforts to require increased foundation payouts would stifle the "riotous patchwork" of responses we are seeing right now, which are vital to addressing our current health and economic crises.

Many foundations, for instance, have stretched their resources, increasing payouts to maintain their values and mission while making room for the pressing needs that have emerged from the pandemic. They are stepping outside their typical giving areas to support Covid-19 relief funds and food banks, participate in direct transfers of money to individuals, and assist small businesses. Others are paying what would have been multiyear grants in an up-front lump sum or simply adding an extra year to existing grants without being asked.

But even foundations that are not increasing the share of assets they distribute have made welcome changes to their grant-making operations. These include eliminating or streamlining applications and reporting requirements, fast-tracking the approval process, using electronic transfers for quicker payments, redirecting project-specific grants to general operating support, and removing challenge or matching requirements.

Two Approaches, One Goal

That two private foundations committed to ensuring their operations can operate forever can make widely divergent decisions about payout is evidenced by the deliberations of the William and Flora Hewlett Foundation and the General Services Foundation.

On March 31, Hewlett, with assets of approximately $10.7 billion at the end of 2019, announced that it was adhering to its spending plans for 2020, including distributing more than 5 percent of its assets, but would keep its 2021 payout at 5.1 percent. Larry Kramer, the foundation's president, noted that the problems Hewlett seeks to address, including climate change, global development, and strengthening democracy, take time and depend on "efforts that pay off slowly. That means that operating both with flexibility to adapt to current needs and with an eye on long-term impact are each and equally core values of the foundation." With some of its unallocated 2020 funds, Hewlett awarded $10 million to the Silicon Valley Community Foundation for Bay Area Covid-19 relief.

By contrast, the General Services Foundation, a third- and fourth-generation family foundation with assets of well under $100 million, just announced the remarkable decision to give 10 percent of its assets annually for the next four years. Robin Snidow, the foundation's board chair, and Dimple Abichandani, its executive director, explained that the foundation's mission — "supporting organizations that contribute to a broad, sustainable, intersectional movement for justice" — was driving this move. "We understand the Covid disaster and the murder of George Floyd to be symptoms of a larger crisis of inequality and democracy. … We believe that transformation is possible in this moment. … We believe that we can be the generation that finally breaks with history and builds a more just future."

Neither of these decisions was made by focusing on the bottom line of the latest portfolio report. In the end, the central factor was — as it should be — a board's determination to fulfill its mission. Given its primary focus areas, Hewlett concluded that the bulk of its resources should be marshaled for the long term, while honoring existing commitments and responding to current needs in its region. In light of the worsening pandemic, racial uprisings, and other events of the last few months, Hewlett has, in fact, recently indicated that it is reconsidering its earlier decision. The General Services Foundation board, on the other hand, sees an immediate opportunity to realize its vision and make transformational change with a short-term infusion of dollars.

A 10 Percent Giving Rate

Foundation governance is working, and producing a healthy variety of voluntary responses, exactly what we seek from a diverse and vibrant civil society. Yet a group of philanthropists and foundation leaders are pushing Congress to double from 5 percent to 10 percent the minimum share of assets foundations must distribute for each of the next three years.

Scott Wallace, co-chair of the Wallace Global Fund, is leading the effort, joined by a group of high-net-worth individuals called the Patriotic Millionaires. In an op-ed in the *Chronicle of Philanthropy*, a member of the Patriotic Millionaires contended that "hoarding wealth over addressing need is as good an argument as any for shutting down these big taxpayer-subsidized foundations, or at least slapping a 10 percent mandatory payout on them." And Wallace has insisted that "only Congress has the power to force this massive injection of wealthy people's money into jobs and nonprofit charitable organizations working in vital areas like health care, food banks, poverty alleviation, education, social justice, and economic development and job creation."

But such a stance could hardly be described as "patriotic."

Is it "patriotic" to push aside the foundation boards that are the rightful stewards of their endowments? For some foundations — especially those with living donors determined to see for themselves the impact of their generosity, or those with firm and clear statements laying out donors' intention — giving while living or establishing a sunset date is a far better choice than perpetuity. For others, however, a long-term endowment is essential.

Is it “patriotic” to suggest that foundation boards abandon their values and missions to join a forced march that will cost them collectively an estimated $200 billion? Family foundations seeking to engage in giving across generations, foundations serving rural areas where organized philanthropy is scarce, those focused on eradicating domestic or global poverty or on securing environmental sustainability — none of these can honor their missions by acting (and spending) only in the here and now.

Finally, is it “patriotic” to demand legislation that will hamper severely — and perhaps destroy entirely — the ability of philanthropy to respond effectively to the next major crisis? Beyond what is already required by law, decisions about payout should remain with those who bear fiduciary responsibility, those whose task — as economist James Tobin noted — is “to preserve equity among generations.”

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