



**Annual Convention of the National Congress for Community Economic Development (NCCED)**

**Plenary Talk: “Funding the Work of CED: The Outlook in 2006 and Beyond”**

**Rick Cohen**

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If the focus is on what foundations are doing to support and advance the work of community economic development, then I have a bad news and hopefully somewhat less bad news scenario to share.

\*You’ve heard or will hear from some funders about their commitment to community development and their examples of philanthropic grantmaking strategies.

\*But out of 65,000 to 70,000 grantmaking institutions, the foundations committed to, much less expanding their CED grantmaking are exceptions

\*Everyone here should view the examples they know of funders supporting community-based organizing and activism—the New York Foundation in NYC, the Gund Foundation in Cleveland, Liberty Hill in Los Angeles, and others--as standout exceptions rather than harbingers of future trends

\*Add to this scenario the likely impacts of charitable giving and foundation involvement regarding Hurricane Katrina, in light of some of what happened after 9/11, and you’ll see philanthropic behaviors that may not be stunningly positive for community economic development nationally or specifically in the Gulf Coast region—and I’ll return to this later

So, let’s face up to some of the overall trends...

\*First, the dollar value of foundation grants for community improvement and development is down from 4.2% to 3.7% as of 2003

--usually because of the increasing size of foundation grant dollars, even a lower percentage means still increasing grant dollars, but in this case, foundation grants for community improvement actually dropped in dollar terms as well, from \$666m in 2002 to \$523m in 2003, lower than the total amount of grants for this purpose since 1999

--remember, this doesn't mean that these dollars are all flowing into CDCs or even community development intermediaries, but they include grants to a variety of organizations, including downtown business improvement organizations and so forth that might have relatively little connection to the community-based, constituency-controlled organizations that you all represent

--unfortunately, despite foundations committed to community economic development like Ford, the commitment of independent foundations like Ford's philanthropic brothers and sisters is only 3.9% of their grantmaking compared to 5.3% for corporate foundations and 6.3% for community foundations

\*Not much better is some other categories of grantmaking of significance to an NCCED audience

--grants designated for civil rights and social haven't gotten back to the dollar total they reached in 2000

--grants designated for housing and shelter plunged between 2002 and 2003, down to around 1% of all grant dollars

--grants for specific population groups are also down not just in percentage terms, but absolute dollars:

\*grants targeted to unspecified minority groups have plunged from \$672m in 2001 to \$589m in 2003

\*for Asians and Pacific Islanders, a horrendous one-year decline between 2002 and 2003 from \$102m to \$78m—and roughly the same for Native Americans, dropping from \$107m to \$68m

\*For African-Americans, the total grantmaking still hasn't reached the levels of grantmaking in 1998, and plunged between 2002 and 2003 from \$307m to \$228m

\*grantmaking for Latinos was the only group for which foundation grantmaking held somewhat stable, dropping to \$176m from \$182m, a total still exceeding all grant totals before 2002

\*Easy to go on and decry the performance of foundations in other categories such as grants targeted to the economically disadvantaged or grants for immigrants and refugees, but the overall conclusion is that despite some standout exceptions, community economic development and the concerns and issues related to community economic development aren't where organized philanthropy is at this moment in our philanthropic history

\*Moreover, the problem is that I don't buy a lot of these numbers; the way foundations describe their grants and the way the Foundation Center categorizes them, it makes foundations look a lot better than they really are

--most of these proportions of grantmaking are based on data from the top 1,000 foundations accounting for around half of all grantmaking

--includes the typically bigger grantmakers involved in community development like Ford, Rockefeller, Casey, MacArthur, etc.

--but if you break up funders by size, you'll see that the top 100 do somewhat better in CED than the next 100 and so on

--the trend suggests that despite the existence of small CED-committed foundations like the NY Foundation, the overall grantmaking of the bottom 69,000 may not be quite as community development focused as the top 1,000 or top 100

\*If you get past the aggregate data, your own experience should tell you that this is a serious problem

--for example, my organization did a review of the funding for social action advocacy groups in metro DC, not the nationals, but 118 local and regional

advocates (since the nationals like the National Council of La Raza and others have access to much more diverse foundation and corporate givers than local groups)

--foundations accounted for 55% of the cumulative budgets of these groups and 42% of the average group's budget—but nearly all of the foundation sources came from the same 10 foundations despite the existence of several thousand in the metro DC region alone

--so when it comes to community economic development or community-based social action, you have the “usual suspects”, so to speak, carrying the lion's share of the funding for social justice and the bulk sitting on the sidelines

--and of course, again, what counts as community development isn't necessarily what the people in this room might count:

--for example, having just gotten through a decade long debate around building a baseball stadium here in DC to attract what was once the Montreal Expos, I'm reminded of the Bradley Foundation's gift of a \$20m recoverable grant to the Milwaukee Brewers for the financing of Brewers Park—and I'm sure that that grant, which was eventually indirectly repaid to the Bradley Foundation by the taxpayers of the city of Milwaukee and the state of Wisconsin, was classified as community improvement and development

--to be more charitable, look at some of the top 10 recipients of community development grants from foundations in recent years, all probably great organizations, but not necessarily constituency-controlled community-based development organizations or even regrantors to those groups:

--2003, the top 10 included the Detroit Riverfront Conservancy, the University of Evansville, Moody Gardens in Texas, and the Millennium Park project in Illinois

--in 2002, the top 10 included the Kauffman Center for Entrepreneurial Leadership in Missouri, the Central Oregon Partnership, the Iowa's Council Bluffs Community Betterment Foundation

--in 2001, #1 on the list was the Kauffman Center, #2 was the Lamar Dixon Expo Center project in Los Angeles, #8 was the Sports and Exhibition Authority of Pittsburgh, and #10 was the Save the Children Federation

\*For community economic development, however, the concern about money from philanthropy isn't simply a concern about the total dollar amounts, but the kinds of grants too that contribute to the long term financial health of nonprofits

--NCRP has long led the fight for increased grantmaking for core operating support

--plunged from over 18% of grant dollars some years ago to 11% in 2001 (and only 7% for the top 100 foundations), though there has been a recent uptick

--still, core operating support is hardly the watchword, even though foundations have responded to the criticism by describing more of their grantmaking as core support when the reality is that the grants are still pretty much restricted

--whether you think it's a positive statement or not that core support grantmaking has inched upwards recently, just compare that to the core support grantmaking of conservative foundations:

\*\*our studies suggest that at least 36% of the grant dollars of conservative foundations for public policy advocacy go as core support, and the total might be as high as two-thirds

\*\*we compared core support dollars for conservative organizations compared to centrist and liberal policy activists, and found that the budgets of the conservative groups were 80% core support compared to 27% for liberal or centrist groups

\*\*looking at the top 10 conservative versus centrist and liberal groups, the core support proportions were 91% for the conservatives versus 16% for the centrist and liberal organizations

--for conservative foundations, they simply make core support grants because they're committed to the long term health and survival of their nonprofit partners

--even the core support grantmaking of mainstream foundations, with its slight uptick recently, doesn't mean that that's trickling down to community-based organizations: which entity got the largest general operating grant in 2001? A CDC? NCCED? LISC? Enterprise? No—it was Princeton University with a single grant of \$26 million

\*Is there a challenge for community economic development organizations in this picture? Sure. Think about why foundations are so reluctant to make unrestricted core support grants and compare the reasons to the profile of community-based social action and organizing groups like CED organizations

--foundations like project or program grants because they like control

--foundations tend to shy away from risk

--they think that project or program grants make it easier to document outcomes

--when they give a big grant to Princeton, a foundation is funding an organization that looks and feels a lot like a foundation, compared to a community development organization that is hardly “like” a foundation

--remember: only a handful of foundation trustees are people of color, only 5.4% of foundation CEOs are minorities, so it's obvious that for the most part, the decision-makers in philanthropy do not necessarily identify with people in the Anacostia and Marshall Heights neighborhoods here in DC or in the 9<sup>th</sup> Ward of New Orleans for that matter

\*Time for a short digression into the implications of Hurricane Katrina for community economic development

--NCRP did a great deal of the post 9/11 charity and philanthropy analysis and unfortunately were proven pretty much on target, and we'll see more of that rather than less in the wake of Katrina:

1. Probably a shift of grantmaking to disaster related issues, and since most philanthropic grantmakers won't substantially increase their grantmaking, since they stick to 5% of their assets for overall expenditures, it means the dollars will come out of other pots sooner or later
2. For corporations, despite the idea that they're corporate foundations or philanthropic givers, their reaction to Katrina will be like the reactions of a

- charitable donor, and they'll cut big checks in order to be seen as compassionate and concerned
3. Among charities, due to the scandals with some of the 9/11 giving, a lot of money has gone to the big nationals, with the Red Cross getting as much as 4/5 of charitable giving to date in response to Katrina, meaning that the nonprofit infrastructure serving New Orleans and the Gulf Coast hasn't gotten a lot of money that it should have and could have—despite lip service to the contrary, the big national nonprofit trade associations are dominated by the big national nonprofits like Red Cross, Salvation Army, and so forth, and won't be pushing a huge proportion of their funds to the locals unless they are pushed by the locals—and their national supporters like NCCED
  4. With the rebuilding of the region, the active voices are the corporations and the politicians, not the half million people displaced in the region and deprived of their voice about the nature of their futures—the role for nonprofits should be first and foremost mobilizing the people who lost their homes and communities and giving them a major voice in the reconstruction.
  5. And you have to confront the corporations like Halliburton and others that have glommed onto the rebuilding of the region the way they have profited from the rebuilding contracts in Iraq, except in this case they'll be recruiting nonprofits as partners to give them the veneer of charitable respectability that they didn't need in Iraq; it's up to nonprofits to play a necessary watchdog role rather than being handmaidens to Hurricane Katrina profiteering.

\*So in all of this, what can be done?

First, there are some models of foundation grantmaking that do point in positive directions. Right here in DC there is the Common Ground Fund organized at the Community Foundation that is funneling small but important grants to neighborhood based social justice groups addressing social and racial inequities

There are racial justice collaborative funds in North Carolina, California, and elsewhere linking policy research with grassroots social change

And think of the Liberty Hill Foundation's Fund for a New Los Angeles as a model for pointing foundations in positive directions for community-based development

But equally as important as identifying good models is calling out foundations for what they aren't doing or what they're doing which might actually be counterproductive for community development

--the CED community should organize to view the half trillion dollars in foundation assets and some \$30 billion in foundation grants as an organizing target just the way community developers have organized to address bank investment or HUD and USDA programs

--you need to organize to bring to the surface the foundation investments that everyone but the foundations themselves know are counterproductive and destructive to community-based development

--you have to recruit and mobilize funders as allies, not simply organized in like-minded affinity groups to congratulate themselves for their support of CED, but to reach out to and advocate among the thousands of grantmakers that aren't in the CED game

--with foundation partners, you have to target new foundations, small foundations, and individual donors and bring them into supporting community-based action and advocacy

--you have to advocate with funders to get behind core operating support grantmaking so that we don't end up with financially debilitated and enfeebled organizations

--funders have to start addressing the grant and investment needs of their members in political time, making grants when groups need the money, and being willing to spend more than their 5% minimum requirement—remember that the conservatives spend at 7% or more, why?, because they know that to make things happen, you have to put money on the street

--and nonprofits have to take on issues of foundation grantmaking—and foundation investments, by the way—with the kind of advocacy courage they



typically display when advocating with city, state, and federal agencies;; have to do more than simply say to foundations, “thank you for the crumbs that fell off your tables and hit us in the budget”

\*Obviously, foundations might say, don’t look at us, we’re only 10% of overall nonprofit revenues; but foundation grantmaking is critically important money, it’s potentially the flexible money you can use for organizing, advocacy, and social justice without the restrictions of government money or the charity-limited direct service focuses of individual giving

\*One of the hallmarks of the nonprofit community economic development sector has been the way it has focused on and targeted the capital markets to work better for community reinvestment and community development; why you would exclude a half trillion in tax exempt dollars from being mobilized for communities is myopia at best

\*While this should be the lodestar for CED attention to philanthropy no matter what the circumstances, we can do no better than to make this agenda the guiding principle for CED watchdogging and advocacy over the public and philanthropic funds that are being allocated right now for the reconstruction of the Gulf Coast.