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Lawmakers Must Understand Philanthropy to Make Better Policy Choices



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By Alicia Philipp and John Tyler

There's an old saying in politics: "If you're not at the table, you're on the menu."

As policy makers in D.C. and elsewhere debate public-policy changes that directly affect philanthropy, this idiom will become reality unless more foundations recognize their place in enhancing understanding of what philanthropy does and the constructive impact it has.

The issues on the menu are broad-ranging and varied, including changes to the private-foundation excise tax, the charitable deduction, and possibly new rules for donor-advised funds. What's more, Congress might debate whether the definition of what qualifies as "charitable" should be narrowed and whether we need new regulations on nonprofit governance and what constitutes wise decision making.

Perhaps more important are the policies that affect our missions: policies on immigration, economic opportunity, climate change, health care, education, and so many other causes that foundations try to influence through their grant making. Foundations can have an important role in sharing their experiences about what's already worked and informing policy makers about research that might clarify the implications of new laws and regulations.

Foundations have a choice. We can accept the status quo and passively submit to the changes thrust upon us, or we can actively engage with policy makers about who we are and what we do as individual foundations. Doing so can help policy makers better understand the broad impact of philanthropy, even as we educate them about grant programs that have achieved results and those that haven't worked as well as we'd hoped.

As policy makers debate shifts in fiscal and social policy, society needs for them to understand philanthropy better than they seem to.

For instance, policy makers talk about charities, churches, and foundations filling gaps as fewer public dollars support the social safety net and other public services. The assumptions underlying the “gap filling” mind-set suggest that policy makers misunderstand philanthropy’s capacity and probably don’t understand what grant making is all about.

It shouldn’t be a surprise that policy makers don’t understand us. After all, the public doesn’t. A Philanthropy Awareness Initiative study found that more than half of “engaged Americans” could not name a single foundation on the first try, and fewer than one in six could cite an example of how a foundation had affected his or her community.

Policy makers need to know more about philanthropy and the billions of dollars we put to work every year to promote innovation and employment and to facilitate good health and productivity. In fact, as a study by the Philanthropic Collaborative demonstrated, every dollar foundations spend produces more than \$8 in local and economic benefits.

Just as important, policy makers need to understand that philanthropy epitomizes the uniquely American spirit that combines self-empowerment with support for our neighbors—a spirit that existed long before there was a charitable tax deduction.

Our elected officials need to know more about us because inaccurate or incomplete information is likely to lead to policies that hurt philanthropy, and by extension hurt the communities we serve.

The best way for policy makers to learn about philanthropy is for more foundations to communicate directly with them. At a time when government money is tight and lawmakers are looking for more resources, foundations can no longer modestly rely so much on letting our activities speak for themselves or letting our grantees and trade groups do our talking for us.

Grant makers certainly benefit from organizations like the Council on Foundations, Independent Sector, the Philanthropy Roundtable, and others that are dedicated to a vibrant, relevant philanthropic sector. These organizations work energetically to promote and protect philanthropy. Their roles and work remain essential and valuable. But their efforts will be strengthened if more individual foundations strategically communicate directly about the vital work they do.

In many cases, individual foundations offer perspectives that are distinctively theirs—whether a private foundation that does research on important policy issues or a community foundation that attacks problems at the grass-roots level and provides essential assistance to local nonprofits. Many foundations can offer useful expertise and on-the-ground knowledge to legislative staff members looking for anecdotes, new ideas, or a fresh perspective.

For example, research by the Ewing Marion Kauffman Foundation that details what kind of businesses are more likely to add jobs to the work force has been shaping policy. The findings turned conventional wisdom on its head because they showed that young companies create more jobs over all, even when counting for the number of start-ups that don't survive.

Also, Kauffman's work showing the disproportionate tendency of highly skilled immigrants to start and expand businesses has contributed to new conversations on immigration reform, including introduction of bills in Congress to authorize "start-up visas." Both sets of Kauffman's research have been cited multiple times on the floors of Congress and have contributed to a surge in policies and legislation designed to spur start-ups.

Community foundations might engage policy makers from a different angle. While some foundations focus on specific causes, they often serve more generally as charitable endowments in communities. They typically operate at the grass-roots level, engaged in quality-of-life issues such as education, housing, social welfare, arts and culture—everything "charitable." They understand community needs, organizations, and the people who are served, and they can help policy makers do likewise.

For example, the Community Foundation for Greater Atlanta's efforts to help young people make the transition out of Georgia's foster-care system led to new state legislation to help teenagers reach that milestone.

The foundation used its relationships with state and local elected officials and leaders of the child-welfare agency to assist lawmakers as they drafted and passed legislation that increased funding and other support to help young people improve their health, get a better education, and build financial assets—while also ensuring they had a say in what would happen to them after they left foster care.

This legislation could have an important role in turning around the current situation, in which 75 percent of foster children end up unemployed or in low-paying jobs after they leave the foster system and must provide for themselves.

People in philanthropy do a disservice by believing that policy makers will fully appreciate these contributions to society if we don't tell them directly. So we believe that more foundations need to overcome their historic—even misinformed—reluctance to engage.

One reason for that reluctance seems to be the mistaken belief that direct contact with an elected official or staff members is considered lobbying, which private foundations are in most cases prohibited from doing. To the contrary, the law permits foundations to do a great deal to directly inform and educate policy makers and their staffs.

For instance, foundations whose missions are dedicated to changing policies in the arts or health care or any other cause are allowed to let members of Congress and the executive branch know about the results of their work.

They may even have a responsibility to do so: If a private foundation is investing millions to influence public policy in its chosen field but then fails to at least consider taking its work to relevant policy makers, is it doing everything it can to achieve its mission?

As Dean Zerbe, a former aide to Sen. Charles Grassley, Republican of Iowa, tells us:

“It’s really important for the foundation community—including individual foundations—to be engaged with members of Congress and their staffs. Foundations can and should speak out about the work they do to help those in need and strengthen our communities.”

If more foundations reach out to elected officials, it is society that will benefit the most. Policy makers will benefit because they will know more about their communities, their constituents, and philanthropy’s contributions. Foundations will benefit because, after investing many dollars in their missions, their experiences, information, and lessons might be used to shape better public policy.

A critical benefit for everyone is that policy makers and the public will better understand the extensive diversity of philanthropy’s scope and the pitfalls of one-size-fits-all approaches to policy, whether specific to philanthropy or otherwise.

For instance, philanthropic dollars are often put to work locally to test innovative approaches, but what works in Kansas City may not work in Atlanta. Because many foundations understand what works and what doesn’t, we should be sharing our perspectives with elected officials so they can avoid imposing generic policy solutions that won’t work nationwide. This outreach will ensure that government spends its dollars efficiently.

More foundations need to help policy makers understand that we do much more than give away money. As lawmakers are considering policies that affect philanthropy, they need to know that our work is about empowering ideas, meeting needs, and inspiring communities.

There are seats at the table for foundations, but we have to claim them.

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