

WHAT'S WRONG WITH CHARITABLE GIVING—A RESPONSE

Pablo Eisenberg's article, "What's Wrong with Charitable Giving and How to Fix It", *Wall Street Journal*, November 9, 2009, prompted some thoughts about philanthropy in Upstate New York and how the suggestions Mr. Eisenberg makes for more effective philanthropy apply to our region.

One must agree with Mr. Eisenberg that there is always room for improvement in the charitable sector. He is an outspoken critic of the field and his advocacy for philanthropic accountability and commitment is well-known.

However, perhaps philanthropy in Upstate New York is not what Mr. Eisenberg is thinking of when making suggestions for philanthropic reform. Of the 1860 grant-making foundations in Upstate New York, 60% of them have assets below \$1 million. Their giving in 2007 totaled \$752 million, but almost 30% of that went outside our region.

WHERE THE MONEY GOES

While it is true that a sizable amount of money is granted each year to support large institutions like hospitals and universities, the largest percent of money given by funders in our region went to support human services (see chart). After human services, health, and education, the largest giving went to public affairs and society benefit, supporting activities like public information campaigns and civic engagement.

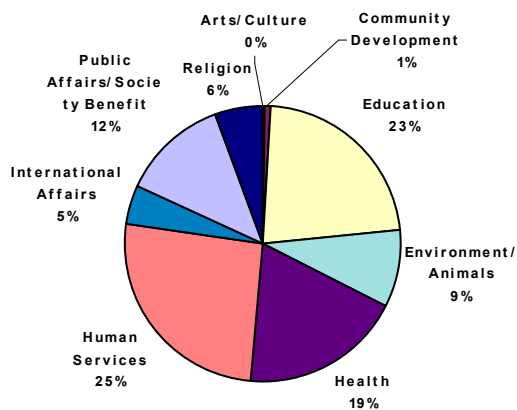
The main thing that's wrong with charitable giving in Upstate New York is that there isn't enough to replace the serious cuts in government spending on critical programs. Foundation charitable giving may be small in relation to government spending, but it is able to target serious problems in our communities and fund new approaches to solutions.

The 100+ attendees at the NYS funders conference cohosted by Grantmakers Forum of New York in Ithaca last month were very receptive to new approaches to maximize their grantmaking impact and to invest in community. They were sincerely concerned about the needs of nonprofits in their communities and eager to explore new, innovative solutions to social and economic problems. Small and nimble is sometimes an advantage, as the English found against the Spanish Armada.

CHARITABLE REFORM

How do Mr. Eisenberg's nine suggestions for philanthropic change relate to the charitable landscape of Upstate New York?

2007 Upstate NY Foundation Giving by Focus¹



¹Source: The Foundation Center.

1. INCREASE THE DISTRIBUTION PERCENTAGE.

Many foundations in our region routinely distribute more than the 5% IRS required payout. The 1% increase in payout Mr. Eisenberg recommends would result in less than an additional \$4 million from funders in Upstate NY in a state with a potential budget gap of \$10 billion.

Currently, the excise tax on private foundations penalizes them if they revert to a 5% payout in subsequent years. Senator Charles Schumer has introduced legislation flattening the excise tax on private foundations to alleviate this. Grantmakers Forum supports this change.

“We have given away far more than 5% over many years.”

— Upstate NY Private Foundation

2. INCREASE OPERATING SUPPORT

Based on feedback from the 100+ participants at our funders conference last month, funders are very disposed to support general operating and capacity-building strategies for nonprofits, particularly in this economy.

In a late 2008 survey, Grantmakers Forum found that over 50% of upstate funders were granting for capacity-building in addition to program support. A 2009 survey showed that 50% of grantmakers in our region fund general operating.

3. INCREASE MULTI-YEAR FUNDING

Many foundations in our region provide multi-year funding. In fact, with the market downturn, some funders are unable to award new money in 2009, as they honor their existing multi-year commitments.

4. ADOPT ROLLING GRANTMAKING

Small foundations that have no staff and rely on volunteer trustees with busy schedules and full lives would have a difficult time making grants on a rolling basis during the year. For the 1,100+ funders in Upstate New York that are distributing \$50,000 or less each year, this is not an option.

5. ALLOCATE MORE FUNDS TO THE TRULY NEEDY

National researchers including The Foundation Center tell us that only 11-15% of U.S. grantmaking supports programs to increase opportunities for those who are socially, politically or economically least well-off. There is great room for growth here. However, private philanthropy is sometimes restricted by the charitable aspirations of the original donor.

6. REACH OUT TO UNDERSERVED REGIONS

Upstate New York is an underserved region. Funders in Upstate NY are almost entirely place-based, investing their grantmaking locally. They do not possess the resources to ameliorate the suffering caused by disasters in other regions, although some may give for one-time national and international disaster relief.

7. SIMPLIFY APPLICATION AND REPORTING PROCEDURES

A national collaborative called Project Streamline is working to establish standard guidelines to simplify this process. Visit www.projectstreamline.org to learn more about this important collaboration.

Grantmakers Forum has hosted Project Streamline leadership at a funder event this year, and has provided common application and report forms for many years to simplify the grantmaker/grantseeker process.

8. IMPROVE PUBLIC ACCOUNTABILITY

As stewards of monies in the public trust, foundation accountability is critical. Responsible regulation by government and the self-regulation endorsed by the Independent Sector-led Panel on the Nonprofit Sector are supported by Grantmakers Forum members.

Funders are awarding larger, multi-year grants to promote organizational viability and capacity.

— Challenges Ahead, GFNY, 2008

9. FUND THE WATCHDOGS

Perhaps suggestion #9 should be Fund the Philanthropic Infrastructure. While watchdog organizations like the National Committee for Responsive Philanthropy, which Mr. Eisenberg founded, have an important role to play in charitable reform, it is regional associations of grantmakers and their members that are actively establishing standards for responsible philanthropy throughout the U.S.

The grantmaker members of regional associations like Grantmakers Forum of New York are on the ground, working to address many of the issues in this article and bringing to bear the practices and knowledge that allow them to wisely invest in their communities for positive social, economic and environmental change.

Grantmakers Forum of New York is an association of funders, strengthening and promoting philanthropy throughout the state. For more information, visit our website or contact us.

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