

# Putting the AB 624 Agreement into Practice and Policy



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by Rick Cohen

A backroom deal in mid-2008 on assistance to minority-serving nonprofits in California followed by an end-of-the-year release of a plan of foundation assistance ostensibly to promote more grant support for racially diverse communities has closed a Pandora's box that foundations had no desire to leave open. After vociferously opposing for almost two years proposed state legislation to increase aid to groups that serve communities of color, foundations headed off any possibility of governmental intervention in their grantmaking with a half-year process to explore what they might do to respond.

California State Assemblyman Joe Coto and State Senator Mark Ridley-Thomas agreed not to push the measure they sponsored, AB 624, through to Governor Arnold Schwarzenegger's desk, prompting significant – and freely expressed – relief among foundation executives. Advocates and their foundation opponents stopped quibbling about the language of a bill that would have required foundations to publicly self-report their racial/ethnic grantmaking in favor of examining what these foundations would do. (The proposed reports would have appeared on foundation websites but would have not been submitted to the state government, nor would they have been externally verified.)

The surprise announcement of a commitment by nine California foundations (and one out-of-state foundation) to voluntarily address diversity issues in philanthropic grantmaking forestalled legislative action. In December, nine of the ten foundations committed to make new investments in nonprofits serving communities of color, with no significant reaction from legislators regarding the adequacy of these commitments compared to what they might have been looking for from the foundations or to what they had hoped to achieve with the potential enactment of AB624 itself. In California, for the moment, interest in revisiting or reviving the tabled legislation does not appear to exist.

Now the dialogue will focus on how philanthropy rethinks what constitutes racial equity in grantmaking and how the plans of the nine foundations will make that happen.

In this analysis, we ask:

- *The Deal*: What did the California foundations that signed the agreement commit to do?
- *The Framework*: What are the underlying analytical frameworks behind what the foundations have and have not put on paper in their agreement with the California legislature?
- *The Replication*: Where might there be an impetus for replicating the AB 624 initiative, with what prospects for success?
- *The Standards*: What might be potential standards for California legislators – along with nonprofit grant recipients and potential recipients – to apply to determine whether the foundations’ implementation is appropriate?

## The Deal

The general outline of this agreement emerged at the May 2008 Council of Foundations (COF) annual conference at which an occasional foundation leader hinted at negotiating just this sort of agreement – while denying that any talks were being contemplated, much less underway. At a contentious hearing of the California Senate Committee on Business, Professions and Economic Development on May 12, 2008,<sup>[1]</sup> just before the COF meeting, Assemblyman Coto asked his Senate counterparts not to vote on AB 624 while he and foundation leaders wrapped up an agreement for increased foundation support for communities of color.

The resulting deal to supplant the proposed legislation with voluntary foundation commitments committed the 10 foundations to an unspecified “comprehensive set of grantmaking activities...in the multimillion dollar range...over several years, to begin in 2009” that “will lead to increased funding for capacity building and technical assistance targeted to minority-led and grassroots community-based organizations” and “support for leadership development activities that will bolster and train a diverse pipeline of executives, staff, and board members for the nonprofit and philanthropic sector.”<sup>[2]</sup> There were some indications that the foundations have committed to a “decade of strategic investment”<sup>[3]</sup> in youth development, financial literacy, community health, and civic engagement grantmaking targeting minority communities. In addition, the funders committed to research the number of minority-led, community-based nonprofits in the state and their capacity needs.

After months of deliberations, nine of the foundations announced their plan (a tenth, one of the smallest of the original signatories to the AB624 deal, did not participate in the final announcement). The December 2008 plan committed the foundations, through collective and individual foundation commitments, over a 2-3 year period to do the following:

1. “Increased grant support—over and above ongoing commitments—to nonprofit organizations serving minority-led and other grassroots community-based organizations serving diverse and/or low-income communities **totaling more than \$20 million**” (boldface in the original): Examples include \$3.2 million from the Annenberg Foundation expanding current

programs such as the “Annenberg Nonprofit Leadership Forum” (to be held in “underserved communities” such as Boyle Heights, East Los Angeles, and Picoima and \$6 million from the California Endowment for “place-based capacity-building and leadership development for minority-led organizations”).

2. “Joint community-based regranting programs in Northern and Southern California to provide leadership training, technical assistance, and organizational capacity support to smaller, minority-led and other grassroots organizations...(with a) total commitment over three years...in excess of **\$10 million**” (boldface in the original): This presumably includes funding from the California Endowment (\$2 million), California Wellness (\$3 million), and the Weingart Foundation (\$1 million) for core support, technical assistance, and leadership development activities through the Liberty Hill Foundation (for Southern California) and an as of yet unidentified intermediary (for Northern California groups) over two years, and collaborative commitments from the James Irvine Foundation (\$2.5 million), the Hewlett Foundation (\$3.5 million), and the Packard Foundation (\$2-3 million) for core support, technical assistance, and leadership development for small and mid-sized minority-led organizations.

3. “Research and analysis (including evaluation of these new initiatives)...to...better understand the current state of minority leadership in California’s nonprofit community and how best to support those leaders and organizations”: This category of new support includes \$100,000 for the Diversity in Philanthropy Project (DIPP), \$300,000 for various foundation affinity groups, and up to \$250,000 for the regional associations of grantmakers from the California Endowment and pledges from several of the participating foundations to conduct program evaluations and put new money into the research efforts of the Foundation Center on philanthropic diversity.

These commitments occur against a backdrop underscored by the foundations of a precipitous decline on foundation endowments due to the downturn in the economy and the constantly sinking stock market. Many foundations have lost 20 or 30 percent of the value of their endowments and few have joined the Irvine Foundation or the John D. and Catherine T. MacArthur Foundation in committing to equal or increase their 2009 grantmaking compared to their 2008 totals.<sup>[4]</sup> The foundations’ statement noted that “we must responsibly balance numerous priorities in the context of diminished resources”, implying that they would be hard-pressed to announce and pledge to fulfill big new multi-year initiatives toward racial equity in foundation grantmaking.

### **The Foundations’ Real ‘Enemy’: Government Oversight**

Foundation opponents would have probably won on AB 624 in due time, based on the problems with the language and structure of the legislation. At the state senate hearing on the measure, a California Bar Association spokesperson listed the numerous inconsistencies in the bill that PRE noted in its first report on AB 624,<sup>[5]</sup> such as what kinds of foundations are included and excluded for coverage, that would have made the bill a non-starter (see *Critical Issues Forum Measuring What We Value – April 2008*). The spokesperson also weighed in with apocalyptic prognostications that the legislation would drive nonprofits and foundations out of California. As a result, getting the foundations to make these new funding commitments, even if they might fall short of what some had hoped for (more money committed for more than 2-3 years), constitutes

something of an achievement in generating new resources for underserved communities and people of color-led organizations.

Ultimately, however, as the senators realized at the hearing, the foundations opposed not so much the bill's specific reporting requirements or the underlying call for additional grantmaking to these communities as the prospect of future governmental "intrusion" in the work of foundations. In response to the senators' questions, the foundation opponents repeatedly cited various versions of their "grave concern that this is the beginning of the slippery slope." They seemed to tacitly agree when State Senator Leland Yee said that he understood that they were "opposing what they're fearful of down the road, the intrusion of government to basically tell you how you might fund; what you're afraid of is not what is in this bill, you're worried about what this might lead to."

Despite their lobbying muscle and the likelihood that they would have easily persuaded Governor Schwarzenegger to issue a veto, the foundations – in spite of their tax-exempt status – had no desire to confront a dynamic that would legitimize a state's inquiry into what foundations deliver. Legislators appeared not to buy the foundation executives' assurances that they've voluntarily made substantial progress on racial/ethnic equity. If the foundations were "voluntarily doing this... we wouldn't have to be here," Senator Dean Florez said.

## **The Framework**

Assemblyman Coto called the initial deal a "win-win" [6] and his legislative aide, Mike Welch, suggested that foundations "maybe surpassed the goals of the bill on their own." [7] The head of the Weingart Foundation indicated that this agreement "will be a cause for celebration by the nonprofit community, especially in low-income communities of color." [8] The Berkeley-based Greenlining Institute made the initial call for AB 624 after issuing a 2005 diversity report card on California foundations. In response to the December commitments, Greenlining cited the "new funding opportunities that could make a big difference for small minority-led nonprofits" and commended the 9 foundations for their leadership on the issue." [9] One of Greenlining's representatives, Adam Briones, called the initial agreement "a great starting place." [10]

Starting where and going where? The underlying principles of the agreement suggest a framework that was nowhere to be found in the language or reporting of AB 624.

The *Wall Street Journal* editorialized that the agreement was "shaking down philanthropies." [11] In a response posted on [www.wsj.com](http://www.wsj.com), the Hewlett Foundation's Paul Brest wrote about the funders' "shared belief that many minority-led nonprofits and other grassroots organizations lack the capacity to adequately serve the disadvantaged people who depend on their services." [12] The California Endowment's chief executive officer, Robert Ross, wrote that the agreement was a "workable solution for the core problem: the need to strengthen organizational capacity and leadership development in grassroots nonprofits in underserved communities." [13]

## **Foundations Redefine the Heart of the Matter**

As redefined by the foundations, the underlying problem is not that philanthropy is unwilling or unable to raise its grantmaking for racial/ethnic groups, but that racial/ethnic-serving organizations, not to mention people of color-led organizations, are somehow less than prepared to submit proposals and compete successfully for foundation grant dollars. If, with the support of foundation-funded management support organizations, minority groups upgrade their capacities, the foundation spigots will open. Toward that end, several pieces of the \$30 billion plan announced by the nine foundations aim at capacity-building for groups, either generally as leadership development initiatives (such as California Wellness’s funding to CompassPoint for training for 16 “next generation leaders of color”) or specifically in programs to help groups apply for funds (for example, Annenberg’s project grantsmanship workshops in conjunction with the California Community Foundation and the Weingart Foundation’s outreach efforts to community-based organizations to “provide technical assistance to emerging and existing nonprofits that may be unfamiliar with the Foundation”).

Some observers have declared this framework specious at best. Janet Murguia, president and chief executive officer of National Council of La Raza (NCLR), was the only commentator published in a Diversity in Philanthropy Project (DPP) colloquium on the agreement to suggest that a foundation-designed mythology was at work:

“Many minority organizations have less capacity and less credentialed leadership than their mainstream counterparts...But...these are hardly the only, or even the most important, barriers that confront minority-serving institutions seeking a level philanthropic playing field. The agreement assumes that foundation funds currently are distributed based on merit, and the main problem is that minority organizations lack expertise to design good programs or write good proposals.”[\[14\]](#)

The rational foundation decision-maker model conflicts with the experience of many grantseekers that foundation grantmaking is fundamentally relational. The critical dimension in successfully raising money from foundations is not the brilliant proposal or incisive analysis, but getting personal access to and developing relations with foundation program officers and directors.

## **A Double Standard**

It is a bit of an emperor wears no clothes scenario, no one quite willing to point out that the problem resides in the corridors of philanthropy more than among people of color-led community-based organizations. Writer Mark Winston Griffith has written extensively about the chasm between foundation policies and community realities, noting that it is “hard to ignore some of the ironies of fundraising in a community development environment...[such as when] foundations, when setting their funding criteria ... place premium value on things like democratic structures, organizational accountability and collaborations with other organizations, without ever observing those practices within their own institutions...[and] foundations who patronizingly dictate that grantees maintain ‘involuntarily poor people’ on their board, while themselves maintaining institutions with little if any input from low-income people.”[\[15\]](#)

As a recent analysis by Rockefeller Philanthropy Advisors has documented,<sup>[16]</sup> the racial and ethnic diversity of the leadership of America's top foundations is stunningly lacking. An Annie E. Casey Foundation report described foundation boards as the "least diverse influential bodies in the philanthropic community."<sup>[17]</sup>

While there is no guarantee that increasing the racial/ethnic mix of foundation decision-makers automatically yields greater racial equity in grantmaking, the experience of efforts to increase corporate diversity provides an answer. Facing litigation on grounds such as Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, and the Americans with Disabilities Act, plus Executive Order 11246 applying to federal contractors, corporations know the score: "representation is the backbone of a strong corporate diversity program."<sup>[18]</sup>

In the DPP colloquium, Aaron Dorfman of the National Committee for Responsive Philanthropy (NCRP) noted that the initial agreement lacked any reference to diversifying the board and staff composition of foundation decision-makers.<sup>[19]</sup> While the final agreement said that the foundations "recommitted" themselves to leadership development activities that would "train a pipeline of diverse executive, staff and board members for the nonprofit and philanthropic sectors," their account of regional meetings convened by the foundations did not reference the diversity of foundation staffing and governance as an element of the feedback they received from nonprofits, and only the California Endowment and California Wellness made specific mention of their own staff and board diversity, the Endowment committing to a "Diversity Audit" to benchmark its progress on staff and board diversity, Wellness announcing its openness to engage diverse people on its board and staff.

## **Blaming the Victim**

The underpinnings of the agreement constitute a perhaps unintentional but discernible "blame the victim" perspective, that people of color-led organizations would get more funding if they were simply more capable and skilled. This is a philanthropic parallel of sorts to the responses of many employers to affirmative action: that they would recruit and hire more racial/ethnic employees if they could only somehow find the elusive "qualified minorities."

Unwittingly harkening back to the anti-affirmative action arguments, some foundations at the California legislative hearing expressed sentiments that could have been taken as a less than vigorous commitment to people of color-led organizations. One funder, ignoring that many rural areas, especially in California, are hardly a proxy for "white underserved," observed that the proposed AB624 legislation would have communicated the message "to rural white underserved communities in the state of California, you don't matter, your issue doesn't count [compared to] the people identified in the legislation, [that] their issue matters, their issue counts."<sup>[20]</sup>

Another raised the specter of reverse discrimination, a frequent bogeyman of affirmative action opponents: "My concern is that this bill may set up two tiers of sort of nonprofit organizations in the minds of some of our foundations, those nonprofits that seem to meet the threshold requirements of this bill and those that do not, and I get concerned that decisions will be made based on who meets the requirements of this bill rather than who can provide the most effective services to the communities we're all trying to serve."

The hoary charge of unqualified minorities delivering lower quality work product appeared in another funder's California State Senate testimony with the suggestion that grants to minority-led groups will result in poorer program service: "We should be influence (sic) to help people in low-income diverse communities no matter who supports them and not necessarily through a particular group of organizations... This is a design to not necessarily to do the best grants we could do in low-income communities."

In a debate over legislation that all sides couched as a matter of transparency, the deal was negotiated with foundations behind closed doors. Nor did the sun shine on the initial steps to put meat on the bones of this agreement. The foundations scheduled three small, invitation-only, press-excluded meetings in Fresno, Oakland, and Los Angeles in late August and early September. The invitation said that the participants would:

- document organizational strengthening and leadership development needs in the region;
- share best practices regarding organizational capacity-building;
- identify culturally-competent technical assistance providers; and
- understand nonprofits' assessment of barriers to accessing foundation funds.[\[21\]](#)

The notion of specifically creating avenues for people of color-led nonprofits was hard to immediately discern in this agenda. The result is a split in the actual plan revealed by the foundations, a mix of language focused on *minority-led* organizations and on generally "grassroots" groups *servicing* underserved or minority communities. The depth of the commitment to building people of color-led organizations as opposed to strengthening the delivery of nonprofit programs and services in minority, underserved neighborhoods, will only be revealed by the foundations' actual practice on-the-ground.

## **A Boon for Consultants and Capacity-Building Groups**

The winners in this framework become management support organizations (MSOs) and other capacity-builders. At a minimum, consultants responding to RFPs for "diversity audits" and designs for culturally appropriate capacity-building will do well. New funding commitments to DIPP, the affinity groups, the RAGs, the highly respected CompassPoint organization in San Francisco (\$200,000 from California Wellness), and various unnamed technical assistance and capacity-building providers exist throughout the plan announced in December. From the perspective of racial/ethnic minorities, the question will be whether the foundations themselves receive sufficient capacity-building assistance to overcome the cultural biases they hold that presume that people of color-led organizations are somehow automatically less capable than their mainstream counterparts in serving needs.

## **The Replication**

As much a concern as the opening of the philanthropic door in California to governmental intrusion, national foundations worried that other states might imitate the Greenlining Institute and its California legislative allies. No surprise, but the inquiry has begun in other states, although on a limited basis.

With the help of the Greenlining Institute, activists in other states have been reportedly exploring racial/ethnic reporting requirements for foundations in Pennsylvania, New York, and to a more limited extent Florida. On the heels of the California announcement, the Florida Minority Community Reinvestment Coalition (FMCRC) posted a statement to a listserv entitled: “Historic Agreement Reached For California Minority Organizations With Foundations: Question To Florida Legislature: What about Florida Minority Organizations?”

Florida’s philanthropic terrain poses hurdles to such an agreement not found in California. Only nine foundations in Florida would have met the \$250 million in assets threshold (based on 2006 data)[\[22\]](#) of AB 624, meaning that the legislature would have to extend this reporting requirement to much smaller foundations to get meaningful statistics on racial/ethnic grantmaking. Thirty of the top 50 foundations making grants to Florida nonprofits in 2006 were out-of-state foundations. Of the in-state foundations, in 2006 the \$2 billion John S. and James L. Knight Foundation awarded only \$12.1 million (in the form of only 23 grants) of its total grantmaking of \$104 million to Florida-based nonprofits.[\[23\]](#)

The political strategy behind the Greenlining Institute study and the Coto legislation made political sense in California, where there were major foundations such as California Endowment, California Wellness, and the James Irvine Foundation headquartered there and predominantly focused on in-state grantmaking. In addition, the leader of FMCRC noted, California has a vigorous organized labor movement, a tradition of community organizing, and a relatively progressive state legislature, creating a receptive environment for the AB 624 discussion.[\[24\]](#) But for Florida, a state legislative effort would be likely to go nowhere. Consequently, the Florida effort appears to be focused on working with a Greenlining-inspired national effort, the Green Agenda Coalition,[\[25\]](#) to connect FMCRC’s (and Greenlining’s) foundation agenda with members of the Florida congressional delegation, such as Democrats Robert Wexler and Ron Klein, as well as pitching to the leadership of the Congressional Hispanic Caucus chaired by California’s Joe Baca (D). However, the FMCRC strategy targets Florida-based foundations which appear, according to Greenlining data compilations, to show little or no grantmaking to minority-led organizations, including the Publix Super Markets Charities, which defends its racial/ethnic giving trackrecord by highlighting its giving to the United Way, Boys & Girls Clubs, and Habitat for Humanity.[\[26\]](#)

State efforts to replicate the AB 624 legislation or the agreement might be more promising in states that look a lot more like California, well stocked with large institutions. Such a campaign would focus largely on in-state players. On June 30, 2008, Pennsylvania state legislator Jake Wheatley sent a letter to nine Pennsylvania-based foundations[\[27\]](#) asking them for information to turn over to the Greenlining Institute for analysis. Wheatley himself reported in an interview that all nine foundations responded and have been, to date, cooperative, although this is prior to their receipt of a report from the Greenlining Institute,[\[28\]](#) though some of the Pennsylvania foundations reported supplied the legislator only with their publicly available Form 990 filings at most. A letter from Wheatley himself, however, thanked some foundation people for attending a discussion of capacity-building needs, though the language on foundation diversity appears to focus on the Pittsburgh region that Wheatley represents in the legislature. Wheatley described the Pittsburgh dynamic as a “pilot conversation,” which he imagines would work on a 6-month timetable parallel to a statewide foundation conversation.



A New York effort named the “NYC Collaborative for Fairness and Equity in Philanthropy,” whose initial coordinating committee is chaired by Angelo Falcon of the National Institute for Latino Policy, emerged in the fall of 2008. Its September 2008 statement of principles includes calls for documented racial/ethnic diversity strategies by foundations, robust and meaningful data collection, and a foundation commitment to building “organizational infrastructure and capacities in communities of color.” According to a March 2009 email from the Collaborative, there have been meetings held with members of the Asian, Black, and Hispanic Congressional Caucuses, the Puerto Rican/Hispanic Task Force of the New York State Legislature, and representatives of the office of House Ways and Means Committee chairman, Charles Rangel “to discuss potential strategies for change.” . The Collaborative has promised an “aggressive agenda” to pursue racial equity issues in foundation practices in New York City, including discussion of a potential AB624-like state bill.

The California experience demonstrates how rapidly foundations can gear up in the face of a perceived threat, with commitments that may well yield new dollars for racial/ethnic groups in that state. The bigger challenge on the minds of foundation executives is what the U.S. Congress might do.

### **We Must ‘Change the Facts on the Ground’**

“At some point, the numbers don’t lie, and someone needs to do something, especially when you’re using the taxpayers of America’s money to do your philanthropic work...,” argued House Ways and Means Committee member Xavier Becerra (D), who represents South Los Angeles, at the May COF conference.

“I think we have to look at what I think are the...underlying facts that drive the operational facts on the ground of the disproportionate giving, the disproportionate numbers internally within the nonprofit world that are skewed against people of color...Most giving is local and most people give to those charities that serve them, those who can give most give most to these institutions and entities they patronize...We’re going to have to do something that changes the facts on the ground. We need to do something to recognize the fact that charity extends to the entire national public...”[\[29\]](#)

With some members of Congress, including Becerra,[\[30\]](#) appear ready to question whether some nonprofits may not merit tax exempt status or whether there should be enhanced treatment of donations for nonprofits that serve disadvantaged populations, foundations could sense Becerra’s subtext. Foundations are becoming less and less invisible. The public and legislators are watching to examine whether foundations’ stewardship of tax exempt moneys is meeting public needs.

### **The Standards**

The California foundations committed to regular meetings with community representatives through the undetermined multiyear implementation of the AB 624 commitment, though there is no language in the December plan describing what if anything the foundations will do to monitor and report on the grants and programs they pledged. Will the foundations’ unspecified

commitment to meetings be sufficient to see that the foundations live up to the letter and, more importantly, the spirit of the agreement? Will Senator Ridley-Thomas and Assemblyman Coto, the original AB 624 sponsor, call “foul” if they determine the foundations are falling short?

Will all this work in the long run address the structural issues of minimal numbers of people of color in leadership and trustee positions in grantmaking foundations? Reconstituting the composition of private foundation boards to better reflect diverse communities would appear to be a crucial element in any fundamental change in foundation attitudes and grantmaking behaviors toward people of color-led grant recipients, but altering the governance of private foundations is nowhere in either the nine foundations’ December plan or, for that matter, the language of the proposed legislation that originally sparked this dynamic. .

The California deal seems to mix many of the necessary players—key foundation leaders, state legislators, and the public policy watchdog organization—into what could turn out to be something useful for minority communities. But, as is obvious in agreements such as this, the proof is in the pudding. Will the California initiative simply take credit for these multiyear initiatives such as DPP that the foundations have already launched, or will the foundation coalition’s commitments involve serious new money? Will the foundations simply work on promoting and supporting “diversity”, or will they make strides toward addressing the inadequate level of foundation grant support for minority-led nonprofits?

It should be up to the communities most affected to work with Coto, Ridley-Thomas, and Ted Lieu, chair of the Asian Pacific Islander Legislative Caucus and nominal cosponsor with Coto of AB 624, to establish standards. The first evaluative standard may well be *that the communities most affected and the organizations that represent those communities should be at the table to make decisions with the foundations*. This is too serious an issue of racial equity to allow foundations to convene amen choruses for their beneficence. Empowerment of the racial/ethnic communities in the bill should begin with the process itself.

## **No More Backroom Deals**

A second touchstone worth establishing might be “open covenants openly arrived at,” a standard first invoked in a very different context by President Woodrow Wilson in the aftermath of World War I. The last thing that the sector needs is continued backroom dealing, particularly when so many nonprofit and foundation leaders make a point about the crucial importance of transparency in philanthropic accountability. Presented with a deal crafted by the foundations outside of the legislative process and behind closed doors, it is no wonder the California state legislators in the Senate hearing so uniformly expressed misgivings about the foundations’ contentions in the hearing.

To think that the problem is only on the minority nonprofit side, a perception that the root issue is the inadequate capacities of minority-led nonprofits, is the epitome of blaming the victim. Foundations need a reworking of their structure and biases. To restructure foundations for the representational equity they need, *there has to be a clear plan and timetable for diversifying foundation boards, family foundation boards and others*, else this is no more than a perpetuation of philanthropic noblesse oblige.

In discussions that will legitimately influence access to foundation resources, the foundation community must structurally incorporate community leaders into decision-making roles within grantmaking institutions. *It's time to democratize how foundations make decisions about community grantmaking.* At a July 24, 2007 hearing of the House Ways and Means Committee, COF President and Chief Executive Officer Steve Gunderson said that as a matter of course “most” foundations assess community needs “very carefully and very strategically” with advisory committees in tow to determine how to make their grants.<sup>[31]</sup> There’s little evidence to support that assertion, but this is the moment for foundations to make the voluntary change in their racial/ethnic decision-making. The California foundations acknowledged hearing from nonprofits that foundations had to “improve foundation practices and processes”, including “a desire for funders to listen, rather than being told what to do,” but the December announcement contained no commitments to incorporate communities in their grant-making decision processes.

### **Key Elements Missing from 2008 Report**

In June 2008, the Foundation Center issued *Embracing Diversity*, a report commissioned by California foundations. The California foundations have used this report extensively in justifying their plans and approaches and have committed to work with the Foundation Center to further this research.

The report is most notable for what was not included. The foundations reportedly did not want individual foundation grantmaking proportions to be revealed, so the authors presented only aggregate data on California foundations. But *progress on the California agreement should necessitate foundation-by-foundation reporting*, so that individual foundations cannot hide behind aggregate numbers. In California’s case, without foundation-specific reports, the sector’s successes or shortcomings in assisting communities of color get camouflaged behind the racial/ethnic grantmaking of the California Endowment and California Wellness, the two big health conversion foundations with substantial grantmaking to organizations that serve communities of color. A report from an advisory committee convened by the three California grantmaking associations pointed out that the Endowment and Wellness comprised nearly two-fifths of the grants in the study.<sup>[32]</sup> Moreover, as foundations created through government action concerning the conversions of nonprofit health care and hospital facilities, the Endowment and Wellness are categorically different than other private foundations. Disaggregation of these figures and the types of foundation grantmakers would expose the paucity of such grantmaking by many of the other foundations.

Also missing from *Embracing Diversity*<sup>[33]</sup> were any data on people of color-led organizations, perhaps reflecting a weakness in the authors’ understanding of people of color-led organizations and communities.<sup>[34]</sup> This continual sidestepping of one of the core issues behind AB 624 simply magnifies the foundations’ shortcomings in supporting the empowerment of racial/ethnic groups and communities. As the New York organizers have stated straightforwardly, *foundations must commit themselves to significantly increasing the share of their grant funds, especially for general support, going to and supporting the development of organizations led by Asians, Blacks, Latinos and Native Americans.* If the primary result of the AB624 agreement is vastly increased funding for technical assistance providers rather than significantly boosted grant

support for people of color-led nonprofits themselves, racial equity in philanthropy will be ill-served, no matter how much public relations and lobbying the foundations mount.

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[1] From transcriptions of the May 12 hearing testimony taken directly from a recording provided by the staff of the Senate Committee on Business, Professions, and Economic Development. There is no published transcript of the hearing, though brief summaries have been published by the Minnesota Council on Foundations ([http://blog.mcf.org/2008/06/04/AB\\_624/](http://blog.mcf.org/2008/06/04/AB_624/)), the Alliance for Charitable Reform ([http://www.acreform.com/AB\\_624/timeline.html](http://www.acreform.com/AB_624/timeline.html)), and the Greenlining Institute (“Foundation Arguments Didn’t Sway Legislators”, <http://greenlining.org/documents/view/213>).

[2] *Statement by Selected California Foundation CEOs on Strengthening Nonprofit Minority Leadership and the Capacity of Minority-Led and other Grassroots Community-Based Organizations* (June 23, 2008) [http://www.acreform.com/docs/coalition\\_release\\_final.pdf](http://www.acreform.com/docs/coalition_release_final.pdf)

[3] Rick Cohen, “Negotiating Diversity in Foundation-land and What it Means for the Rest of Us,” *The Cohen Report (Nonprofit Quarterly)* (June 27, 2008) <http://www.nonprofitquarterly.org/cohenreport/2008/06/27/negotiating-diversity-in-foundation-land-and-what-it-means-for-the-rest-of-us/>

[4] Rick Cohen, “Philanthropy During the Downturn,” *The Economic Crisis and Community Development Finance: An Industry Assessment* (Federal Reserve Bank of San Francisco, May 2009) <http://www.frbsf.org/publications/community/wpapers/2009/wp2009-05.pdf>

[5] Rick Cohen, “Understanding AB 624”, *Critical Issues Forum: Measuring What We Value* (April 2008) <http://www.racialequity.org/docs/final%20layout.pdf>

[6] Aurelio Rojas, “Pressed by legislator, nonprofit foundations agree to invest in minority-led organizations,” *Sacramento Bee* (June 24, 2008).

[7] Suzanne Perry, “California Foundations Back Compromise to Defeat Diversity-Disclosure Measure,” *Chronicle of Philanthropy* (June 24, 2008).

[8] “Pressed by legislator,” *op. cit.*

[9] <http://greenlining.org/initiatives/democratizing-philanthropy/a-positive-future>

[10] Mike Zapler, “Charities will boost funds for minorities,” *The Mercury News* (June 25, 2008)

[11] “Shaking Down Philanthropies”, *Wall Street Journal* (July 26, 2008)

<http://online.wsj.com/article/SB121702556081886019.html>

[12] Paul Brest, letter to the editor, *Wall Street Journal* (August 1, 2008)  
<http://online.wsj.com/article/SB121755472739003175.html>

[13] “AB 624: Death For A Noble Cause”, *op. cit.*

[14] Janet Murguia, “A Small Step in the Right Direction”, *Sector Leaders Respond to AB 624 and the California Compromise* (Diversity in Philanthropy Project, n.d.)  
<http://www.diversityinphilanthropy.org/voices/clegislation/commentaries.php#link5>

[15] Mark Winston Griffith, “The Foundation Fundraising Blues”, *Gotham Gazette* (October 2003) <http://www.gothamgazette.com/article/communitydevelopment/20031007/20/551>

[16] Cf. Jessica Chao, Julia Parshall, Désirée Amador, Meghna Shah, and Armando Yáñez, *Philanthropy in a Changing Society: Achieving Effectiveness Through Diversity* (Rockefeller Philanthropy Advisors, April 2008), pp. 6-10

[17] MARGA Incorporated, *Race, Culture, Power, and Inclusion in Foundations: A Report Conducted for the Annie E. Casey Foundation* (March, 2005), p. 13

[18] “Diversity in Corporate America: Still a Work in Progress”, *Knowledge@Wharton* (March 16, 2006) (<http://knowledge.wharton.upenn.edu/article.cfm?articleid=1406>)

[19] <http://www.diversityinphilanthropy.org/voices/clegislation/commentaries.php#link5>

[20] As of 2000, the white non-Latino proportion of the rural population of the U.S. stood at 69.1 percent, though obviously excluding many undocumented workers and families. A significant part of rural population growth has been Hispanic, including in *California, cf. Race, Place, and Housing: Housing Conditions in Rural Minority Counties* (Housing Assistance Council, 2004). California is one of seven states with more than 100,000 nonmetro Latinos, cf. Rogelio Saenz, *A Profile of Latinos in Rural America* (Carsey Institute, 2008)

[21] From letter of invitation dated August 20, 2008, sent to participants in the Oakland, California, convening scheduled for August 25, 2008.

[22] The John S. and James L. Knight, the Picower, Publix Super Markets Charities, Ted Arison Family Foundation, Wallace H. Coulter Foundation, Arthur S. DeMoss Foundation, Turner Global Foundation, Inc., Jessie Ball duPont Fund, and the Flight Attendant Medical Research Institute, Inc.

[23] The Foundation Center, *Top 50 U.S. Foundations Awarding Grants in the State of Florida, circa 2006*  
([http://foundationcenter.org/findfunders/statistics/pdf/03\\_fund\\_geo/2006/50\\_found\\_states/f\\_fl\\_06.pdf](http://foundationcenter.org/findfunders/statistics/pdf/03_fund_geo/2006/50_found_states/f_fl_06.pdf))

[24] Interview with Al Piña (September 5, 2008)

[25] According to the website of the United States Hispanic Advocacy Association (USHAA), the Coalition includes Greenlining, FMCRC, The East Los Angeles Community Union (TELACU), the Hispanic Business Council, and the USHAA itself (<http://www.ushaa.com/Resources/Default.aspx?CategoryId=22>).

[26] Ian Wilhelm, “Taking Foundations to Task: Activist Seeks to Force Grant Makers to Do More to Help Poor Minorities,” *Chronicle of Philanthropy* (March 26, 2009)

[27] The Annenberg Foundation, the Heinz Endowment, the Vera I. Heinz Endowment, the Richard King Mellon Foundation, the William Penn Foundation, the Alcoa Foundation, the Comcast Foundation, the Pittsburgh Foundation, and the McCune Foundation.

[28] Interview with Representative Jake Wheatley (September 22, 2008).

[29] Rick Cohen, “Can Diversity Make the Cut?” *The Cohen Report (Nonprofit Quarterly)* (June 3, 2008) <http://www.nonprofitquarterly.org/cohenreport/2008/06/03/can-diversity-make-the-cut/>

[30] Rick Cohen, “A Conversation with California Congressman Xavier Becerra,” *The Cohen Report (Nonprofit Quarterly)* (January 16, 2008) (<http://www.nonprofitquarterly.org/cohenreport/2008/01/16/a-conversation-with-california-congressman-xavier-becerra/>)

[31] Cohen, “House Hearing: Good Hitters vs Weak Pitchers”, *The Cohen Report (Nonprofit Quarterly)* (August 2007) <http://www.nonprofitquarterly.org/content/view/494/>

[32] NCG/SCG/SDG Diversity in Philanthropy Advisory Committee: Initial Report (<http://www.ncg.org/assets/diversity/CADiversityAdvisoryCommitteeRecommendations.pdf>), p. 3

[33] Lawrence T. McGill, Algernon Austin, and Brielle Bryan, *Embracing Diversity: Foundation Giving Benefiting California’s Communities of Color* (Foundation Center, 2008)

[34] The NCG/SCG/SDG committee highlighted the report’s attribution of insufficient core support for nonprofits serving communities of color to the organizations’ lack of size and capacity; the committee noted that the “relative paucity of core support is a *cause*, not a reflection of low capacity in ethnic-serving nonprofits and in organizations rooted in ethnic communities.”