



Up from the Grassroots

The Evolution of Grants and Grantseeking

Grantees are more oriented toward results and less involved in defining themselves as victims. People speak with more verbs and fewer adjectives. There is less guilt-tripping of funders. Overall, I see more seriousness and maturity.

—MARTY TEITEL, Cedar Tree Foundation

Foundations are smarter about organizing because there are more organizers in foundation jobs.

—SI KAHN, Jewish Fund for Justice

This book is about two things: money and power. If you didn't need money for your organization, you wouldn't be reading these words. If you weren't trying to change the world, which involves challenging and changing the relations of power, you wouldn't be so concerned about raising money."

So began the first edition of this book, which appeared in 1996. In the intervening years, our world has shifted—and the way we organize and raise money has also shifted—but what strikes me is how the fundamentals remain the same:

- There's enough inequality and oppression to keep us all busy for decades.
- There's plenty of money to do our work, if we can just get over our discomfort and shortsightedness and learn how to raise it effectively.
- We are sustained by each other. Social change work builds solid, enduring relationships.

If you find the first point depressing, well, the other two provide a strong antidote.

What follows is a summary of the trends that are changing the way we approach and practice grantseeking. Some of the news is discouraging, but much of it is cause for optimism.

The Expanding Philanthropic Sector

For grantseekers, many new funding opportunities have been created in the past decade, while thousands of new nonprofits have been established to address a wide range of community needs.

More foundations, more grantseekers. In 1996, there were roughly forty thousand grantmaking foundations in the United States. As of December 2003, the Foundation Center database (www.fdncenter.org) includes about seventy thousand foundations, along with about ten thousand corporate giving programs and public charities that make grants. Due to changes in the law that encouraged the creation of foundations—a way of shielding assets from taxation—those of us looking for grants have a lot more options.

On the other hand, we've seen an explosion in the number of nonprofits, especially groups with the 501(c)(3) tax status required to receive most grants. According to the National Center for Charitable Statistics, we now have an astounding 1.35 million nonprofit organizations in the United States, including 870,000 groups with 501(c)(3) designation. In the 1990s, the number of registered nonprofits increased by 44 percent, then increased another 15 percent during the current decade so far (National Center for Charitable Statistics, 2003). These numbers do not take into account the hundreds of thousands of informal local groups that have chosen not to incorporate but are still doing important, grant-worthy work.

I hate to use the word competition, but those of us who've been around for a while have a lot more company. As Therese Ogle at Northwest Grantmaking Resources says, "My job hasn't changed, but the piles of proposals just keep getting higher and higher."

The growth of family foundations. Most of these new funders fall under the informal category of "family foundations." Typically they are managed by a family member, or perhaps a local attorney or foundation consultant. Very few have formal guidelines, annual reports, or even an office. While their grants can be substantial, they don't give away as much money as the brand-name foundations. You might find them in the big grantmaking directories, but information about their grants and priorities is often very sketchy. (See Resource A for information on grant directories.) Most have no presence on

the Internet: of the more than seventy thousand funding programs tracked by the Foundation Center, only twenty-five hundred have Web sites linked to the Foundation Center site. Family foundations tend to be invisible, and many prefer it that way.

For grantseekers, the family foundation phenomenon presents both challenges and opportunities. They're hard to find, hard to contact, and hard to figure out. Many direct their grants to "preselected organizations only," so "applications are not accepted." From the outside, it looks a bit like a gated community.

However, according to a report from the National Center for Family Philanthropy (2003), 92 percent of family foundations limit grantmaking to their local community, state, or region. They have personal relationships, business relationships, and organizational relationships. They are, literally speaking, your neighbors. With diligence, you can begin to create relationships with them.

The approach to family foundations feels more like a major gifts campaign—soliciting gifts directly from individuals—and less like a grant application. (When budgeting, some nonprofits count family foundation donations as major gifts rather than grants.) Many of these folks don't even ask for proposals. They just want to meet the people doing the work and to know that their money is being used effectively. The lack of paperwork and bureaucracy is refreshing.

A Different Set of Circumstances: Economy, Politics, Technology

In a rapidly shifting world, fundraiser-activists must be adaptable if they want to be successful.

The stock market giveth and taketh away. Since the first edition of *Grassroots Grants* was published, we've experienced one of fastest-growing stock markets in history, followed in rapid succession by one of the most persistent "bear markets" ever. (By the time you read this, who knows how the market will behave.) Most foundations are heavily invested in stocks; when the market goes up they prosper and when their portfolios decline in value they have less money to give away.

This is tough on funding officers, who already have a difficult job. "Our endowment has dropped by 40 percent," says Jon Jensen of the George Gund Foundation, "so I spend more time equitably distributing disappointment." It's even tougher for those of us who depend on grant money for our work.

Despite the stock market's swings, overall foundation funding held steady from 2000 through 2002, though many environmental and social justice funders cut way back. Because foundations prepare their budgets based on a five-year

“rolling average” of their assets, we are still seeing the residual positive effects of the boom. For grantseekers, it may get worse before it gets better.

The United States has become more conservative, making our work more challenging. “It’s a repressive time. Things are harder now,” says Gaye Evans of the Appalachian Community Fund. “We always talk about being reactive instead of proactive, but now there’s an even greater sense of insecurity. Organizations are constantly shifting gears to deal with moving targets and upcoming crises. Sustainability is a big question, both on the funding side and the political side.”

This shift has hit organizers and grantmakers with equal force. “Given the national political change and the sinking economy, our strategy has changed,” says Hubert Sapp of the Hartford Foundation and formerly with Oxfam America. “Before, we looked at how to build and expand programs. Now, we’re looking at how to preserve and conserve gains we’ve already made.”

Roxanne Turnage of the CS Fund agrees: “We’ve always been in a relatively defensive posture, but now we’re in what feels like a critical time, trying to hold on to the gains of the past twenty or even fifty years. This makes it much more challenging to figure out what to fund. The stakes are higher. We can’t afford to make mistakes.”

The upside, says Sapp, is this: “Grantees are more realistic now about what they can actually accomplish.”

Changes in technology have created both opportunities and barriers. The expanding use of e-mail has made it a lot easier to stay in touch with funders and even transmit proposals electronically. “I now read and comment on a majority of proposals, including essentially all renewals, prior to the official hard copies of these proposals being submitted,” says Ed Miller of the Illinois Clean Energy Community Foundation.

On the other hand, somebody has to manage the inevitable paper. “We have an internal debate about electronic submissions,” says Pat Jerido, formerly of the Ms. Foundation. “The support staff says they’re a lot more work to process,” because the tasks of printing and collating shift from grantseeker to grantmaker. As it becomes easier to submit applications, she says, “More proposals mean more pressure on us.”

The continuing evolution of computer technology and the Internet has made it easier to research prospective funders. Thanks to the wonderful work of GuideStar (www.guidestar.org), you can now download the tax returns for 850,000 U.S. nonprofits, including virtually all charitable foundations. A variety of commercial grant research products, in both on-line and CD formats, are also available; you’ll find them profiled in Resource B.

Despite the advantages of computer technology, the “digital divide” remains a significant barrier in poor communities, communities of color, and rural locales. Grassroots groups are likely to be years behind the technology curve. The benefits arrive late and, due to limited resources and lack of access to training, sometimes they never arrive at all. “GIS is the new PowerPoint,” sighs Marjorie Fine of the Unitarian Universalist Veatch Program at Shelter Rock, offering one example, “and most groups are not equipped to use it well.”

As media activist and foundation officer Jerry Mander has written, technology is not value-neutral: the institutions in power take advantage of nearly every technological advance to consolidate their power (Ingram, 1991). To the degree that we can use e-mail, the Web, wireless communication, and so forth to counter that trend, we should—recent antiglobalization organizing is a fine example—but without succumbing to technology worship.

Grantmaking: An Experiment in Democracy?

A common critique of foundations—from both liberals and conservatives—is that they are not accountable to anyone but themselves. Recent changes in the funding world have begun to address this problem head-on and also in more subtle ways.

The many faces of community-based, social change philanthropy. More than twenty-five years ago, the Funding Exchange pioneered a new kind of philanthropy based on two radical ideas: (1) giving should be directed toward “change, not charity,” and (2) the people affected and the communities served should help make decisions about distributing the money. Gaye Evans and her colleagues at the Appalachian Community Fund call this “activist-controlled grantmaking.”

The Funding Exchange network now embraces fifteen affiliate funds, including the Liberty Hill Foundation in Los Angeles. Liberty Hill staff members Margarita Ramirez and Lina Paredes describe how their version works:

Our decision-making process lies in the hands of a Community Funding Board comprised of community and donor activists engaged in a wide range of social and economic justice issues. While staff does initial screening, the CFB interviews all potential grantees and makes final funding decisions for the foundation.

Having a Community Funding Board process has its challenges. We’ve adjusted our grantmaking procedures to meet many of these. We now provide training for CFB members in grant review and in the foundation’s

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mission and goals. We also have developed a more concrete policy about conflicts of interest. We focus on funding groups that have an impact on social change, and we emphasize strategic grantmaking. We've standardized our decision-making process, and we provide CFB members with considerable background information about groups so that they can make more informed decisions. We also give groups that will receive an interview a list of questions they will be asked in advance.

At the end of a decision-making process we meet to evaluate what worked and what didn't. Finally, we have a party for our new grantees, giving them the opportunity to learn about each other's work. As a result, grantees have ended up collaborating on current or future projects.

The idea of democratic, community-based decision making has taken a variety of forms and influenced many grantmakers, both within the Funding Exchange network and beyond. According to *Social Change Philanthropy and Community-Based Philanthropy*, a report from Changemakers (2003, pp. 1-7), more than one hundred community-based social change foundations now operate in the United States.

The principles behind this movement have affected the corporate and mainstream foundation community as well. John Sterling, former grants officer for the outdoor clothing company Patagonia, reports, "We established a grants council of employees who represent and report back to their work groups. Our process is unique in that we try to involve our entire company in philanthropic decision making."

Jeff Anderson of the Oregon Community Foundation reports, "We use about fifty volunteers who do fact-finding and provide us with a sense of the overall fit [of a proposal] with our funding objectives. Volunteers review larger grant requests than ever before. We have recruited and trained additional volunteers, which may suggest a trend for my time—maybe more management of a volunteer-based program and less time spent on site visits."

While these volunteers are not the final decision makers, they have substantial influence over the results. As Barbara Meyer of the Bert and Mary Meyer Foundation notes, "In my experience, community-based reviewers are the toughest evaluators of all."

The Southern Partners Fund represents perhaps the fullest flowering of the idea of community-based philanthropy. Meyer has pledged to turn over the assets of her family foundation—currently valued at about \$14 million—to a new public foundation, the Southern Partners Fund, founded and run by Meyer Foundation grantees.

She says, "As far as I know, we are making history. I am not aware of any private foundation transferring all of its assets and consequent power to a public foundation run by its grantees. We're pioneering a new model. If we believe that community members know what's best, if we believe in the wisdom and integrity of the grassroots, it makes sense to transfer the money and the authority to the community."

The founding activists, who had long and deep relationships with Meyer's family foundation, were stunned by this notion. Nevertheless, at the end of the very first meeting, they came up with a compelling idea: a dollar-for-dollar challenge. For every dollar provided by the family foundation, the Southern Partners Fund (as it was later named) would be required to raise an equal amount from other sources, until the assets were completely transferred. In this way, they could build a big enough endowment—the current goal is \$15 million—to make a substantial impact throughout the region. More important, having worked to raise matching funds, community members would feel a lot more ownership over the process, the money, and the fund itself.

An endowment campaign to meet the challenge grant is now being planned, and several initial gifts have been secured. "We have the potential to step up and make this thing happen," says executive director Joan Garner, "which would be an incredible achievement."

Trading places: the community organizer as funder. Over the past decade, progressive funders have hired dozens of organizers and activists from a wide range of social movements: human rights, antiracism, economic and environmental justice, conservation, antiglobalization, reproductive rights, youth empowerment, labor organizing, media democracy, immigrant rights, civil liberties, and so on. These folks add an unprecedented level of richness and sophistication to the ongoing discussion and debate between grantmakers and the groups they support. Many come from communities of color, which has helped to diversify the foundation community—still an overwhelmingly white enclave.

"They're sensitive about how long it takes to make change," says Marjorie Fine, referring to these new program officers. "Not just policy change, but the membership change that precedes it."

Si Kahn encourages nonprofit groups to see grantmakers as peers rather than adversaries. "It's a complementary relationship," he notes. "Funder work is organizing, too—in many cases, pushing the funding community to take on new issues and new approaches." For a lot more information on building good relationships with foundation staff, see Chapter Six.

Young people rise up. We've seen an explosion of youth organizing, including donor organizing to help young people with wealth figure out how to use that wealth most effectively to create social change. Several foundations, including Active Element and Third Wave, are funded, staffed, and governed by youth. Other nonprofits, such as Resource Generation, provide training and support to this constituency. Definitions vary, but for the purpose of philanthropy, a "young person" is typically fifteen to thirty-five years old.

The philosophy of this movement is summed up on the Active Element Foundation Web site, www.activeelement.org: "We believe firmly that the active involvement of young people is critical to altering present power relationships, and we exist to help build the infrastructure that will sustain such involvement."

"Young people have always been a critical part of social movements," says Active Element's Gita Drury. "Our energy, optimism, and vision can also be applied to philanthropy. We're willing to fund less conventional work, like hip hop organizing as a tool for reaching youth."

Collaboration sells. Working together with other organizations and constituencies has always been a smart strategy for nonprofits, but in times of reduced resources, it becomes essential. "There's a new emphasis on collaboration," says Ann Krumboltz of the Brainerd Foundation. "Who do you work with? Are you engaging any non-traditional allies? We're all asking these questions more regularly." Michael Fischer, formerly of the Hewlett Foundation, concurs. "We think of grantees in 'clusters' and are most comfortable with prospective grantees who can present themselves as being part of a team seeking to further the foundation's mission."

Ron White, formerly of the Tides Foundation, is encouraged by this trend: "I'm aware of more multistate organizing and regional coalitions. They see themselves connected geographically and economically. They address regional targets: banks, utilities, extractive industries. You can't deal with a regional target without a regional strategy."

The same collaborative spirit is increasing in the funding community as well. Here's a story from Marty Teitel: "I went to the Environmental Grantmakers Association conference after five years away from the funding community, and it was a Rip Van Winkle experience. I noticed a marked increase in cooperation among funders. They're focusing more on goals and results and less on the promotion of specific groups or strategies. This opens the field to more prospective grantees."

In some grantmaking communities, such as the informal network of environmental funders based in the Pacific Northwest, foundation officers meet regularly, share notes, and identify emerging needs among their grantees. The

high level of collegiality and trust has benefited grantseekers by creating more transparency and responsiveness.

The fight over payout requirements. When families establish private foundations, they make a deal with the federal government. In exchange for paying no taxes, the foundation agrees to spend at least 5 percent of its assets each year for charitable purposes. The 5 percent calculation can include the costs of doing business, including salaries, travel expenses, office costs, board member compensation, and so on.

A dogged coalition of funder activists, led by the National Network of Grantmakers and the National Committee for Responsive Philanthropy, has been working to increase payout requirements. Their goal is to make more money available for social change. Unfortunately, this argument was easier to make when the stock market was booming and foundations were earning much more than 5 percent on their investments. Despite the decline in the market—or perhaps because of the way that the tumble in stock values has made it harder for their grantees to raise money—several funders have voluntarily increased their payouts.

A 2003 Congressional proposal would have excluded board, staffing, office, and travel expenses from the minimum payout and required that at least 5 percent be spent as grants. The proposed legislation split the foundation community, with a number of mainstream funders fighting the higher payouts. This issue is likely to be with us for years to come.

Funders Don't Act the Way They Used to Act

As philanthropic models have changed, funder behavior has also begun to change.

More intermediaries are raising money and giving it away. The common term for pass-through arrangements is *regranting*: larger foundations (and, in some cases, individual donors) make gifts to public charities that provide small grants to grassroots groups. The approach is as diverse as the many movements it supports. Here are some examples:

The Seventh Generation Fund assists a broad range of social justice and community development projects created by and for Native Americans. “We are both grantmaker and a grantseeker simultaneously,” says Tia Oros Peters.

The New England Grassroots Environment Fund supports environmental work of all types in its home region; half the grantees are ad hoc, “kitchen table” groups without formal tax status.

RESIST, Inc. funds “groups that withstand reactionary government policies, corporate arrogance, and right-wing fanaticism through organizing, education, and action.”

The *Active Element Foundation*, mentioned earlier, supports youth organizing and empowerment. Says Gita Drury, “We’re trying to bring a different level of humanity to the process of grantseeking. It’s our job to jump through extra hoops to raise the money so our grantees don’t have to.”

River Network, primarily a capacity-building organization for the river and watershed protection movement, also manages a small grants program for partner groups.

These funding opportunities exist because large foundations have neither the expertise nor the infrastructure to hand out what for them are small grants of \$500 to \$5,000, yet gifts of this size can generate tremendous results. “The Mott Foundation is a large institution that gives away more than \$100 million each year, and it’s not feasible for us to do that in small grants,” says Lois DeBacker of the foundation. “Our typical grants are \$40,000 and larger, so we rely on intermediaries for regranting.”

For individual donors, this strategy offers a way to pool their gifts for greater impact. They trust the intermediaries to identify important needs and locate effective organizations.

Funders are stepping outside their traditional roles—and it makes some activists nervous. In the not-so-distant past, foundations made grants and community organizers used the money to do the work. Grantmakers have always exercised power implicitly through their funding choices, and in some cases explicitly by creating new initiatives and forcing collaboration, but they generally limited their activities to grantmaking. Lately the roles of “funder” and “organizer” have begun to shift and overlap, raising a new set of questions about who has the power.

Gaye Evans reflects on shifting responsibilities and expectations:

We struggle with our role. Our job is raise money to give it to other groups. We have to fight the impulse to do other things, but sometimes the “other things” win. We recently organized three Dismantling Racism workshops for our grantees. No one else was offering this service in our region, and our board and staff felt that it was needed. Some grantees saw it as a command performance, but we stressed again and again that their funding was not conditional based on whether they showed up. In the end, we had to turn people away from all three events, so we’ll probably do it again.

The change in roles can be traced to several factors:

- The number of former community organizers now employed by foundations. They tend to think and act like organizers, regardless of their job titles.
- The growth of intermediaries. In addition to giving grants, many of these organizations were created to provide capacity building and technical support to their grantees. Tia Oros Peters of The Seventh Generation Fund estimates that she spends 60–70 percent of her time giving technical assistance and only 30–40 percent of her time making grants.
- The rise of community-based social change foundations. If the foundation is managed and controlled by community activists, perhaps it's natural that it be involved in defining issues and organizing programs.

Funders are stepping out of their traditional roles—and behaving like investment bankers. At the height of the 1990s stock market boom, several new foundations were created by altruistic entrepreneurs who wanted to address social needs. They invented a new kind of grantmaking that combined traditional philanthropy with the principles of venture capitalism, which include creative, “out of the box” strategies; clear “metrics,” or ways to measure results; and lots of hands-on tinkering (like it or not) by the investors. Many focused on commercially based solutions to problems like poverty and homelessness. They called their approach *venture philanthropy* or *social investing*.

With the gyrations of the stock market, venture philanthropy has lost a bit of its luster. Some market-based strategies worked, while many failed. A number of “investors” grew frustrated with nonprofit culture or the intractability of the problems they had set out to solve. Nonetheless, venture philanthropy has had at least two lasting impacts on how foundations and grantseekers do their work:

- Funders are pushing even harder for measurable results, which forces social change groups to attempt to measure changes in power, leadership, self-determination, and so on.
- Many more organizations are thinking entrepreneurially about how to sell their expertise—rather than giving it away—thereby diversifying their funding and relying less on grants that require them to weigh and count things that are extraordinarily difficult to measure.

Given these changes in the funding world, it's time to ask yourself a crucial question: are grants your best fundraising option? In Chapter Two, we'll consider the pros and cons of grantseeking and learn about how grants fit into a complete fundraising strategy.