

Maintaining Philanthropic Activity During Difficult Economic Times

Gene Cochrane

Charles Dickens once wrote, "It was the best of times, it was the worst of times...." In a measure, that is true for health philanthropy in 2009. Many people who have worked in health care, in governmental areas related to health care, and at private foundations that fund health care recognize that we may be on the verge of a national commitment to change the health care system as we know it. Many of us have waited for this day and are excited about the possibilities that lie ahead.

In normal times, foundations would welcome this opportunity. They would be able to provide funds to help organizations find what works best and fine-tune a developing national health care strategy.

Instead, many foundations today are at a low point in assets, and money available for grants is lower than it has been in decades.

December 2007 marked the official beginning of the recession in the United States. The United States stock market dropped 37% in 2008, and many components of the financial markets and the general economy continue to struggle in 2009. While late spring and early summer have brought some signs of stabilization, economic challenges continue to affect the ability of foundations to respond to great opportunities.

The Council on Foundations, a national trade organization of corporate, private, family, and individual foundations, completed a study of 430 of its members in March 2009. The report found that:

- Three of four foundations saw their assets decline by 25% or more during the past year, with a higher proportion of independent and large foundations experiencing a more significant decrease.
- About half of the foundations project that they will reduce their total grantmaking for 2009 by 10% or more.
- Many foundations were shifting their focus to directly aid low-income individuals, organizations, and others adversely affected by the economic downturn.

The report also noted changes occurring inside foundation offices: 60% of foundations reported reducing operating costs, especially in community and larger foundations; 45%

eliminated salary increases; 27% instituted hiring freezes; and 16% eliminated positions.

I am not aware of a similar study for North Carolina foundations, but if you listen to conversations among foundation leaders and program officers, you'll hear that their organizations are facing an increased demand for philanthropic support. Grant applications are rising, and nonprofits are seeking larger amounts of support. Many North Carolina

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foundations have responded in ways similar to those cited in the Council on Foundations report. One interesting development has been a growing conversation about providing funds for operating support, especially to small, grassroots organizations that help people who are most adversely affected by the economy. When growth has occurred in organizations' giving plans, budgets have focused on primary medical care centers, food assistance, support for emergency housing (homeless shelters), or providing direct assistance for heating and utilities bills. Foundation support is also increasing for programs that provide education, job readiness skills, job training, and employment assistance.

North Carolina has been fortunate to be home to many foundations that encourage discussion, cooperation, and collaboration. The North Carolina Network of Grantmakers is

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an active state network of more than 80 foundations that better understand each others' interests and have a clearer grasp of key issues facing the state. Through this increased awareness, foundations have been able to share lessons learned and find programs that have proven, quantifiable results. We have witnessed greater program and financial collaboration than ever before. In years past, programs such as the Nurse-Family Partnership or Care Share Health Alliance may have been led by one or two foundations. Today, they involve a number of funders bringing their own expertise, insights, and financial strength to the effort. This cooperation has allowed foundations to extend limited resources and make higher-cost programs possible.

Funders are also paying more attention to the importance of proven results. We can no longer fund an idea because it sounds good in theory or fund a test period hoping that another organization will provide permanent funding. Organizations need to present concrete plans and well-developed proposals to be successful in this highly competitive grant marketplace.

New, more defined strategies are emerging inside foundation offices to guide their work. For example, many foundations, especially in health care, have worked to strengthen organizations and make sure they have the capacity to meet the needs of our citizens. Strengthening organizations in and of themselves is often a worthy goal. Other foundations have turned a much-needed focus toward

emerging or grassroots organizations. In many cases these new organizations offer interesting examples of different approaches to age-old questions and warrant serious consideration for the new ideas they can bring. Still other foundations often are more interested in taking a program that has been proven effective elsewhere, bound by solid research and solid experience, and expanding that program to other communities. This runs counter to the long-held notion of "best created in my backyard" and emphasizes maintaining fidelity to a proven model. Clearly, more funding is going to programs that have documented effective practices, suggesting that the intervention will produce positive results. In other words, today's grantmakers are using limited resources to fund programs that have been proven successful or can demonstrate a positive record.

Most foundation executives believe it will be some time before philanthropy returns to the way it was in the early part of this decade. Many foundations are rethinking their programs, staffing, and approach to grantmaking, not in terms of "when things return to normal," but rather in terms of a new day and a new way of operating. Whether the financial markets return gradually or whether that return is delayed, foundations and their support will look different in the future.

We are on the verge of a new day for health services in the United States, and we are also on the verge of a new day in health philanthropy. **NCMJ**

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