

11

trends

in philanthropy

for 2018



JOHNSON CENTER

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OUR MISSION

The Dorothy A. Johnson Center for Philanthropy aims to be a global leader in helping individuals and organizations **understand, strengthen, and advance philanthropy.**

OUR VISION

We envision a world with smart, adaptive, and effective philanthropy.



In 2017,

the Dorothy A. Johnson Center for Philanthropy launched the “11 Philanthropic Trends for 2017” as a way of discussing the critical issues facing philanthropy and the broader dimensions of the sector. Our vision for this was not to predict any outcomes, but rather to share insights and foresights on the contexts and facts that could determine the sector’s future challenges and opportunities. Some of the initial trends we identified for 2017 continue to impact our sector (e.g. how future generations are changing the way we work), while new ones are at the dawn of discovery. For 2018, we continue to share our thought leadership at a time when the very nature of philanthropy and its core value to society are being questioned. We invite you to explore the issues we identify. What better time could there be for champions of philanthropy to think deeply about the future?

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11 trends in philanthropy for 2018

One in ten workers in the United States is employed by nonprofits, and that number is growing. Across philanthropy, a dynamic ecosystem of nonprofit workers, donors, volunteers, foundations, and others are rising to the challenges of increasing need and instability. As a sector and as a country, we are examining the place of philanthropy in American life and paving new avenues towards impact.

Our field is changing fast, yet philanthropy's potential for good is expanding every day. We've identified 11 Trends for 2018 that will help you anticipate and embrace what's next.

1 Giving More by Giving Together

J. Franklin

Across the field, we are witnessing a resurgence of collaborative giving — people pooling funds both large and small to effect change together. At one end of the spectrum, new research shows that giving circles and other collaborative giving groups (collectively referred to as GCs) have tripled in number since 2007. At the other end, almost weekly announcements greet us on the launch of a new funder collaborative, large pooled fund, or other major collaborative giving effort.

Collective giving has proven to be an effective way to democratize and diversify philanthropy. The 1600+ GCs operating in the U.S. today have together engaged over 150,000 individual donors since their launch and granted out an estimated \$1.29 billion since their inception. Last year alone, they engaged over 46,000 people (mostly women) and granted out almost \$30 million, a sum that represents the pooling of many small gifts, as most GC members contribute under \$1,000 (Bearman et al, 2017). Similar growth of GCs has been evidenced globally, especially in Europe, Asia, and the Pacific islands (Harvey, 2016; John, 2017).

While data on the growth in large scale collective giving has not been collected as extensively, the pattern of increasing collaboration remains clear. Major new collaborative efforts like the Rights Faith & Democracy Collaborative (RFDC), Co-Impact, and the Maverick Collective all highlight how foundations and wealthy individual donors are acknowledging the need to collaborate to effect change even when they have significant resources to give individually. RFDC builds on previous collaborative giving successes — like the Civil Rights Collaborative — and serves as a clear example of how collaborative funding

can take on timely social change issues, in this case pushing back against the use of religious exemptions to curtail reproductive health, rights, and justice (Proteus Fund, 2017). Co-Impact on the other hand stands as a reminder that scaling change exceeds the capacity of individual funders, as major donors have pooled over \$500 million in this collaborative to effect large scale systems change globally (Wilson, 2017). Meanwhile, the Maverick Collective showcases the appeal of collective learning and community building, as it invites women to learn from one another as they invest a minimum of \$1 million into innovative solutions for girls and women in the developing world (Greenhalgh, 2017).

Across all these examples, large and small, the power of collaborative giving remains a clear trend. As this drive to give together continues to build, expect to see more experimentation with collaborative structures, efforts to develop best practices and manage the costs of collaboration, and push back against the power that collaborative funds

can wield in their specific issue fields.

However, giving together is clearly a trend on the rise, with a clear appeal for donors to learn together, share risk, find community, and ultimately make a bigger impact with bigger collaborative investments.



2 Next Gen Donors and the “Golden Age of Giving”

M. Moody

It might seem odd to say that the rise of a next generation of philanthropists is a “trend,” as the continuity of the philanthropic field relies on successive waves of new donors coming onto the scene as they come of age. But the current cohort of new big donors — Gen Xers and Millennials with the capacity for major giving — are not just any emerging generation. All signs point to these donors becoming the most significant philanthropists in history. They will be the leaders of what many philanthropic observers are calling a new “Golden Age of Giving” (Crutchfield, Kanna & Kramer, 2011; Lenkowski, 2007).

The current wave of next gen donors will have unprecedented financial resources to give, both from the new fast fortunes being created by young techies, hedge funders, and others, and from the extraordinary transfer of wealth — an estimated \$59 trillion — going on right now within some of the United States’ wealthiest families (Havens & Schervish, 2014). But these donors will also be historically significant because of their zeal for revolutionizing philanthropy through new strategies and innovations that are already starting to shake up our field.

Next gen donors want to transform giving in ways that they hope will finally move the needle on long-standing social challenges. They want to be more focused, more metric-driven, more experimental — all in the hopes of expanding the impact of big giving. They want to do good

through impact investing and other new tools, not just through traditional grantmaking. We see this, for example, in the approach taken by perhaps the most famous “next gen donors”: Mark Zuckerberg and Priscilla Chan. Instead of a traditional foundation, they decided to use a “charitable LLC” — the Chan Zuckerberg Initiative — as the primary vehicle for their giving and investments for social good, because this allows them to invest in socially responsible businesses, political initiatives, and other ventures, in addition to making philanthropic gifts. Next gen donors also want to engage in more hands-on ways with the organizations they support. They want to “go all in” by giving their time and talent, not just their treasure, and in doing so they aim to develop closer, more candid, and long-term relationships with their partners (Goldseker & Moody, 2017).

These revolutionary transformations in major giving will have tremendous implications for everyone in the field, regardless of where you sit around the philanthropic table — as donor, grantmaking staff, trustee, advisor, volunteer, or nonprofit and fundraising professional. The new Golden Age will really be “golden” if these donors are in fact able to increase the impact of philanthropy on problems we are all concerned about. But achieving this requires us to first better understand these rising donors, and then to engage them in productive ways and — perhaps most important — to help them become the sort of active, diligent, and effective donors they want to be. For they are incredibly eager to learn and to gain experience — now, not later. And the donors they *become* now, will be the donors they are — in unprecedentedly significant ways — for decades to come.

3 The Globalization of Philanthropy

J. Franklin & M. Moody

Most giving is local and will likely remain so for a long time (Giving USA 2017, 2017). But in an increasingly connected world, we are seeing the spread of shared, formal philanthropic practices across borders. More and more, philanthropy around the world is adopting similar — often westernized — structures, policies, and strategies. This globalization is visible in myriad ways, from the standardization of giving vehicles and the continued growth of community philanthropy, to the expansion of support organizations and global peer donor networks.

First, we are seeing the creation of western-model charitable foundations in regions where such entities were previously uncommon or absent. This development is often driven by a desire to learn and adopt best practices from places (like the U.S. and Europe) where foundations have long been institutionalized. Yet this standardization is tempered by local cultural and societal norms, and by legal, regulatory, and economic systems.

Community philanthropy is following a similar pattern of growth: collective giving is on the rise globally, yet individual communities are adapting practices to local culture and leadership. Between 2000 and 2010, the number of community foundations worldwide grew by 86 percent, with an average of 70 institutions created annually (Knight, 2014). Similar growth among giving circles, another popular form of community philanthropy, is also evident across the globe, from the U.S. and Europe to Asia and the Pacific islands (Bearman, Carboni, Eikenberry, & Franklin 2017; Harvey, 2016; John, 2017).



The American philanthropic sector's growing interest in supporting nonprofit capacity is also playing out globally. New organizations that support the philanthropic sector are taking shape, and transnational organizations are seeing a rise in international membership and participation in their gatherings (Knight & Ribeiro, 2017).

Finally, as wealth accumulation continues globally, we're witnessing the emergence and expansion of global peer donor networks. These networks bring like-minded donors together around a variety of common interests. Perhaps the most well know of these is the Giving Pledge, which engages some of the world's wealthiest families.

While practices are spreading, wide variations remain, including differences in vehicle preferences, charitable deductibility, government regulation of giving practices, and, increasingly, threats around restricting civil society and philanthropic behavior (Firmin, 2017).

To the extent that this globalization is leading to the spread of proven best practices, cross-border learning, cultivation of new donors, and improved support for philanthropy in new places, there is much to celebrate. But with globalization inevitably comes the possible displacement of diverse and indigenous philanthropic practices and traditions. Critics of this globalization are right to point out the danger of a sort of new philanthropic colonialism. Moving forward, the challenge facing our global sector is to increase philanthropy worldwide while respecting cultural traditions and unique local practices.

4 Defining Progress with Place-Based Philanthropy

T. Behrens

We noted last year in our “11 Philanthropic Trends for 2017” that there has been a resurgence of interest in place-based philanthropy with a focus on systems change. Place-based philanthropy is focused on a defined geography. Depending on the funder and the particular issues being addressed, the place might range from a single neighborhood to a whole city to a larger multi-state region. This year, the trend continues unabated: grantmakers of all types are bringing deeper insights into place-based work and new tools and strategies to bear on efforts to improve outcomes for all members of communities (Brown, 2017).

The focus on place brings together a number of other trends in the field for several reasons. First, the complexity of creating measurable change on an issue at a national level is daunting — if not impossible. In seeking to be more strategic in their giving, funders are choosing to concentrate their efforts in a particular geography to increase the probability of both creating change and being able to measure it. Giving within a defined geographic area puts boundaries on where to look for change.

Second, recognition of the complexity and interconnectedness of people’s lives has led to an increased emphasis on creating systems change (Kramer, 2017). The lives of people in communities are impacted by a variety of systems that interact together more or less effectively. The education and healthcare systems, for example, both have an influence on academic outcomes. Focusing giving in a particular



place helps to define and put boundaries around the systems one hopes to change.

Third, we know that the most effective and sustainable change happens when there is broad participation in defining problems and creating solutions (e.g. Lasker, 1997; Israel, Schulz, Parker, & Becker, 1998). Place-based work provides a way to identify who should participate and takes socioeconomic, political, cultural, and other contextual factors into account.

Increasingly, we are seeing some new twists to place-based work. For example, it is not just foundations or large donors who are turning to this strategy. New research on giving circles shows that there has been significant growth in the number of these collaboratives and that the majority of them are giving to their local community rather than to issues at a national scale (Bearman, Carboni, Eikenberry, & Franklin, 2017).

Another twist is the increasing emphasis on impact investing as a strategy for local economic development. Colorado Impact Days, Local First, and Mission Investors Exchange are examples of efforts to bring other forms of capital besides philanthropic grants to bear on creating positive social change at a community level. The biggest gathering of the year related to impact investing, SoCap17, included a strong emphasis on communities (Onek, 2017).

A third new angle on place-based work is an emphasis on sustainability. This is a global trend, with work going on both in the U.S. and internationally (Thomashow, 2017). The U.K.-based Ellen MacArthur Foundation, for example, is promoting the concept of circular economies —

economies that maximize local benefit and recycle resources within a community.

We anticipate that the trend toward place-based work will continue into the foreseeable future. This approach to philanthropy and, more broadly,

to economic and community development, seems to cut across ideologies, with something to recommend it to everyone from populists to environmentalists.

5 Philanthropy's Quest for Equity

J. Olivarez

Over the past decade, diversity, equity, and inclusion have clearly emerged as key issues in philanthropy. Monumental demographic shifts taking place in the U.S. necessitate the development of new tools and strategies that will allow the field to effectively address equity issues and impact change. This year, 2018, the majority of children in this country will be children of color (The Annie E. Casey Foundation, 2014). This shift has profound ramifications for our local communities and the national landscape if equity in access to health, education, and the work force is not achieved.

Many foundations are striving to incorporate an equity focus into their work. The Robert Wood Johnson Foundation has been trying to better understand what foundations are doing on these issues and what they are learning (Putnam-Walkerly & Russell, 2016). Many leaders in philanthropy want to play a role in shaping social and economic policy and practice to advance this equity agenda. For instance, The Annie E. Casey Foundation has published a "Race, Equity, and Inclusion Action Guide" to assist organizations that work directly with systems, technical assistance providers, and communities. Additionally, The Weingart Foundation, The Ford Foundation, The

California Endowment, The Consumer Health Foundation, W.K. Kellogg Foundation, and many others have all committed to applying equity principles in their work (The Annie E. Casey Foundation, 2014).

These are important efforts and have opened new dialogues and opportunities for achieving goals around equity and even social justice, but given the current disparities and challenges in our communities, is this work enough? Further critical questions philanthropy might explore include: What role does philanthropy really have in these issues of diversity, equity, and inclusion? Is that role to simply distribute charitable gifts, or is it to be more transformational? Is philanthropy a leader, or is it a follower of government, non-profits, and industry initiatives? Is it proactive or reactive?

If philanthropy really wants to see the achievement of social justice by alleviating poverty and inequities for racial, ethnic, gender, gender orientation, religious, and ability groups, it must work collaboratively with others to address purposeful inclusion in structures of power and decision making. This collaboration should work to achieve a society in which outcomes benefit the "whole community." It is about attaining true





justice and fairness for all. Once we eliminate disadvantages created by structures and systems, we will see communities and a nation that allow all to prosper (Vedrana, 2016).

The reality is that inequities are multi-dimensional and cumulative. Untangling such complexities is a challenge we must fully embrace (UNESCO, 2016). Equity assures opportunity for all, regardless of circumstance. It assumes inclusion, and sees diversity as a strength (Ross, 2017). It needs to be

seen as a growth and competitiveness imperative. This will create a shared understanding of challenges and opportunities for future action (Parilla, McDearman, Donahue, & Barker, 2017).

Advancing equity through diversity and inclusion is a journey, not a destination and one that philanthropy can help propel. Therefore, sharing knowledge, strengthening communities and advancing opportunities for all will need to be explored over the coming years.

6 Inclusivity Means Asking the Right Questions

J. Petersen & J. Franklin

If “what gets measured, gets done,” then it is imperative that “what gets measured” is measured accurately and inclusively. As data-informed decision making becomes an ever-stronger practice in philanthropy, the field is paying increasing (if long overdue) attention to data collection, analysis, and dissemination methods that promote inclusivity and take cultural differences into account. Only when these efforts are in place can we expect effective actions and real impact for marginalized communities, as data will finally reflect the experiences they face.

To meaningfully understand the needs of a population through data collection, surveying systems must accurately capture who the population is and be designed to best gather authentic information from them. It is critical that demographic questions, for example, do not alienate a population by demonstrating unawareness to cultural or identity norms. This is also key in data analysis, where misunderstandings or biases may lead to

incorrect categorization of groups, inappropriate understanding of causal relationships, or inaccurate interpretations. In dissemination, too, these factors are equally important, as poor dissemination strategies can further “other” your target population or fail to reach them at all.

Inclusive data strategies will also help our sector better understand the complex makeup of the communities we work in. These efforts go beyond developing inclusive language or disaggregating results by race, gender, gender identity, sexual orientation, documentation status, substance use, or housing status, among others. They include intentionally asking each community or population whether surveyors are accurately understanding their identities and experiences in ways that do not stigmatize, minimize, or alienate. Ultimately, this work calls on researchers, evaluators, and philanthropic leaders to be more intentional in how they capture the authentic voices of stakeholders and ensure historically marginalized groups are not further marginalized.

Researchers are increasingly identifying useful strategies for those wishing to engage in this sort of intentional inclusivity; human-centered design, for instance, is gaining momentum as one such approach (e.g. Frederick, 2017). More generally, utilizing participatory methods — such as asking a community or population— what words they prefer to use to describe themselves or their experiences, or developing advisory or research committees that are comprised of people from the population of interest (Ostrow, Penney, Stuart, & Leaf, 2017; Kaiser, Thomas, Bowers, 2016) — can also increase the inclusivity of any study (Wallerstein, Duran, Minkler, & Oetzel, 2017; Vaughn, Jacquez, Lindquist-Grantz, Parsons, & Melink, 2016). Within participatory committees, of course, it is incumbent upon facilitators to pay close attention to power

dynamics to ensure that all stakeholders have equal voice and the freedom to share that voice.

Overall, emerging best practice calls for data collectors to first share their results back with the community to make sure that outsiders are accurately understanding, synthesizing, and representing their experiences. Preparatory work within the philanthropic organization can also be extremely helpful in increasing knowledge of the target population, discovering and working through your own individual and organizational biases, and questioning historic practices that may unintentionally be exclusionary. At the end of the day, population research can be a complex and sensitive pursuit, and it is one that philanthropy is increasingly interested in approaching with intentional care.

7 “Data to What End?”

J. Petersen

Despite talk of moving to a “post fact” society, the push for data to inform decision making in philanthropy continues to develop traction. This can be seen on all sides — data for nonprofits to increase their impact and better serve their communities, data for funders to make more strategic decisions about who to fund and how to address needs, and data for next generation donors to inform their giving. Impact is the driving desire and data are the vehicle. At times, however, the push to collect data to inform decision making can be so central that the goal of the data gets lost. Furthermore, nonprofits have long reported that the call for data without adequate funding and organizational capacity can be detrimental to their efforts (Snibbe, 2006).

A key trend coming in philanthropy is to ask, “Data to what end?” The effort to “right-size” our data inquiry has been a topic of more recent attention, including findings from Bopp, Harmon, and Volda (2017) that show the path to become data-driven can lead to erosion of autonomy, data drift, and data fragmentation in mission-driven organizations. Despite these concerns that the call for data may result in information overload and be unnecessarily taxing on organizations, research still indicates that measuring performance improves strategic decision making (LeRoux & Wright, 2010).

So what is the sector to do? Data help inform strategic decisions, but the quest for such



information can also interfere with actual service delivery. Data that will not be used are not useful. This would seem to be common sense, but the push for more data can at times result in collecting anything and everything without any intentional strategy. Data should be used to answer key questions and inform decisions. Data should focus on both outputs (such as the number of grant dollars given or number of people served) and outcomes (the change made, such as increases in academic achievement, improvements in household income, etc.). If the data will not change the way a service/activity is delivered, then collecting them may not be the best use of resources.

A key element in ensuring that we can use the information we gather appears to be organizational capacity. Campbell and Lambright (2016) noted that many nonprofits indicate that their data efforts are funder-driven, even while funders often find that the data they receive

from grantees do not provide them with all the information they would like and they often lack the capacity to use grantees' performance data fully. This dilemma may be addressed by both "right-sizing" the data requested from nonprofits as well as increasing the data capacity of both nonprofits and funders. Increasing data capacity may include providing technical assistance to grantees to ensure they can collect the right information and manage it in the simplest ways possible.

It may also include work within foundations to ensure they are firm in their conceptualization of their theory of change and in articulating what data they really need in order to measure progress. In an age of high demand for information without endless resources to collect and consume that information, understanding how and why data will be used can be a first step to bringing rationality to the desire for data.

8 New Frameworks for Evaluating Impact



T. Behrens

As philanthropy has evolved, particularly over the past 20 years, the field of evaluation has evolved along with it. Perhaps the most significant change has been the shift towards strategic philanthropy and its attendant focus on achieving explicit outcomes. Simultaneously, we have seen a growing recognition that significant systems change is also needed to affect the end result. Systems change means altering how resources are allocated and decisions are made, and how relationships among people and organizations evolve to alter that final outcome. A clear goal — for example, increased graduation rates,

decreased maternal death rates, or higher employment rates — is an important aspect of strategic philanthropy, but to achieve these ambitious outcomes requires a strategy that changes large-scale systems like healthcare and education.

Yet, such strategies often face significant challenges. Large public systems are comprised of many moving parts, with a variety of institutions and players who can influence outcomes. Reshaping those structures often requires policy change, which itself is influenced by the



political climate. And in many cases, systems also “push back”: those who benefit from the current arrangement have no incentive to change.

This is why we are continuing to see an increased focus on evaluation as a necessary part of the systems change strategy. Michael Patton, one of the most influential people in the field of evaluation, wrote the first book on the use of developmental evaluation to provide feedback on complex systems change work (Patton, 2011). Since its publication, the use of developmental evaluation has grown significantly. Developmental evaluation is an approach that focuses on meeting the information needs of people who are seeking to be innovative in addressing highly complex situations — situations in which it is not known how to achieve desired results, where there is disagreement about how to proceed, and where cause and effect are not related in a linear fashion. More recently, the Collective Impact Forum has encouraged the use of developmental evaluation in collective impact efforts (Holmes, 2014).

A related shift in the evaluation world is the adoption of Emergent Learning tools to enable

insights into systems. Emergent Learning frameworks provide tools to capture lessons learned and support ongoing reflection during a change process. Examples include tools such as Before Action Reviews, After Action Reviews, and Emergent Learning Tables as ways to gather information to promote not only individual foundation learning but learning on the part of networks and communities (Darling, 2016).

Even for funders who have not adopted a strategic philanthropy lens, there are new approaches to evaluation that can be valuable. Patton has just introduced the concept of principles-based evaluation, a framework for assessing how closely a donor or funder is adhering to the principles they say are driving their philanthropy (Patton, 2017). This may be a particularly helpful approach to evaluation for family foundations whose primary concern is honoring donor intent rather than impact.

As evaluation continues to grow as a profession, we expect to see continuing innovations in practice to match innovations in philanthropic giving approaches.

9 A Growing Commitment to Building Nonprofit Capacity

T. Behrens & J. Franklin

There is a rising call across the sector for greater attention to and investment in nonprofit capacity with an aim towards achieving greater impact. In 2016, 22 leading field-building organizations released a public call for foundations to direct “at least one percent of their grantmaking budgets to support the infrastructure upon which the nonprofit sector is built” (Investing in

Infrastructure, 2016). While the pace of change has not been as rapid as many would hope, the sector is responding to this call. Driving this trend is a desire for a more diverse and inclusive sector, the need for increased professionalization, and an overall eagerness to create more understanding around the true costs of nonprofit work.



More funders are now including capacity building as a budget line within grants they make in the regular course of their program funding. The Foundation Center's online directory includes over 2,600 foundations that have some mention of capacity building in their profiles (Foundation Directory Online, 2017) and Grantmakers for Effective Organizations (GEO) has reported that 77 percent of funders they surveyed provide some capacity building support (GEO, 2015). Still, a recent study of capacity building grants commissioned by the Hewlett Foundation has revealed that, while philanthropy is growing overall, funding for capacity building is not keeping pace (Louie, 2015).

Beyond funding patterns, other indicators show a rising sector-wide interest in capacity building. Several vibrant new organizations are emerging with the express purpose of promoting talent and capacity support, such as the Aspen Institutes's new program on nonprofit capacity, and Fund the People (formerly the Talent Philanthropy Project), which was launched in 2014 to maximize philanthropic investment in the nonprofit workforce.

We are also seeing new scholarship on capacity building in philanthropy literature. Nancy Devine

(2016), for example, compared individual and group capacity building programs and found little difference in outcomes, highlighting the opportunity to fund across approaches. And more generally, the Social Sector Accelerator recently reviewed research from nearly 60 academic, think-tank, and thought-leader sources, finding consistent support for the argument that “organizations that receive capacity building support achieve greater social impact” (Crawford, 2017).

Finally, we are seeing an increasingly robust network of capacity builders at work in the field. The Alliance for Nonprofit Management's 2017 annual meeting drew over 100 participants to Grand Rapids, MI to talk about capacity building and other nonprofit management issues.

With foundations increasingly supporting this work, new organizations emerging to advocate for it, new research being produced, and a network of intermediaries stepping up to deliver it, we anticipate that capacity building and talent development will continue to grow as a field-wide priority in the coming years, a trend that can only bode well for the ultimate impact of our sector.

10 Governments and Nonprofits: New Partnerships or Paradigm Shifts?

K. Caldwell

As priorities of government have shifted away from directly providing services and programs, there has also been an explicit and implied expectations shift between government and philanthropy (defined here to include donors, volunteers, charities, and foundations). The partnerships between

governments and philanthropy have evolved from working on similar issues independently, to working together or in place of one another. Consequently, there are new challenges in terms of roles, responsibilities, resources, and repercussions that merit exploration.

In recent years, philanthropy has undeniably taken on a larger role in meeting community needs and serving as an economic engine. Nearly one-third of nonprofit sector revenues come from public sources to fund vital services (McKeever, 2015). And one in ten workers in America are employed by a nonprofit organization. That workforce is growing in response to society's demands (Bureau of Labor Statistics, 2016).

What is more fascinating (and perhaps alarming), is the many ways, in which philanthropy is now temporarily substituting for, or flat out supplanting, the traditional roles of government. A few examples from Michigan present very different, yet similarly complicated examples of sector role conflation.

Kalamazoo, MI launched the Kalamazoo Promise — an effort to provide higher education opportunities for all public-school graduates — with the support of five anonymous donors (Bartik, 2015). In that same community, two other donors have committed their wealth toward the creation of a new nonprofit, the Foundation for Excellence, which provides funds to maintain a stable property tax rate and structure and funds innovative community solutions as defined by city government.

Flint, MI experienced one of the nation's greatest infrastructure failures when the city switched its public water source to the Flint River without proper anticorrosion treatment, thereby damaging the plumbing system, and leaching lead into the drinking water (Bosman, 2016). Foundations and nonprofits stepped up as first responders, delivering bottled water and water filters to residents. A group of foundations ultimately

stepped in to underwrite the costs of switching the water back to the original source, and the community foundation launched a response fund to provide for the long-term nutrition and education needs of the children affected by the increased lead levels (French, 2016).

When Detroit, MI filed for bankruptcy in July 2013, its debt was estimated at \$18-\$20 billion. Several foundations pooled their resources to help ensure that pensioners could survive on their fixed incomes, while the Detroit Institute of Arts (which was otherwise headed for the auction block) was reinvented as a nonprofit with a solid financial footing. A new fund was developed through the local community foundation to disperse settlement funds to various individuals and organizations involved in the settlement. (Ferris, 2017)

If paradigm shifts such as these are a good thing for the sector and demonstrate the versatility and leadership philanthropy can demonstrate, there are important questions to address as these new “muscles” are exercised. Can philanthropy's assets substitute for those provided through the public sector? If so, are the sector's current fiscal and operational systems ready to deal with the change? What are the accountability and transparency responsibilities of philanthropy if it is asked to step into leadership roles traditionally occupied by elected bodies? It is important to be cognizant of the challenges that unclear boundaries and unrealistic expectations can bring to such paradigm shifts.



11

How Repealing the Johnson Amendment Could Change the Game for Nonprofits

K. Caldwell & M. Downey

The recent proposed repeal of the Johnson Amendment is representative of a possible shift in how policymakers and society at large view the laws which govern nonprofits and ensure that the sector operates within some critical legal boundaries designed to maintain public trust. Since 1954, 501(c)(3) organizations have operated under a rule that prohibits any activity that expresses support for or opposition to a candidate running for political office. This legislation (HR 8300 of the 83rd Congress) is known as the “Johnson Amendment,” named for Lyndon Baines Johnson, who, as a senator from Texas, first introduced the text and led the effort for its inclusion in the tax code.

Repeal or weakening of the Johnson Amendment could impact philanthropy in four ways: a) nonprofits that engage in lobbying and public policy debates could be vulnerable to accusations of partisanship, b) “dark campaign funding” may invade the nonprofit sector, c) the bright lines between church and state could crumble, and d) there is a danger that politicians might use charitable nonprofit organizations in their campaigning to avoid disclosing their donors.

Proponents of repeal, led by a limited number of predominantly Christian faith leaders and conservative politicians, are seemingly interested in preserving, if not extending, religious liberties. In a 2016 campaign pledge to faith leaders, Candidate Donald Trump announced his interest in repealing the rule. Since that time, President Trump signed Executive Order 13798 directing the U.S. Department of Treasury not to pursue any matters that might find a church or religious organization guilty of acting outside of the Johnson

Amendment’s restrictions. Additionally, several bills have been introduced in the House and Senate that seek to repeal the rule altogether, including several that had been part of draft versions of tax reform legislation.

Nonprofit and philanthropy advocacy groups, such as Independent Sector, the National Council of Nonprofits, and the Council on Foundations, along with a coalition of faith groups, largely oppose the amendment’s repeal. (Council on Foundations, 2017) Among many concerns, they argue that 501(c)(3) donors could claim tax deductions for contributions to political campaigns, a practice that is currently prohibited under U.S. tax law.

According to the Pew Research Center, most Americans (66 percent) agree with the provisions of the Johnson Amendment (Smith, 2017). It is possible that if changes in current law open the doorway for other types of support — such as campaign donations and political speech — it could erode trust in charities. Research into public confidence shows that the nonprofit sector is a leading institution when it comes to public trust: 74 percent have said that they trust charities with their checkbooks over the federal government and want to see expanded access to charitable giving (Independent Sector, 2016). Yet, that trust is not inviolate. Elsewhere, research shows a growing concern for how nonprofits spend donations (Perry, 2015).

Under current law, a 501(c)(3) has legal pathways to engage in lobbying in rather robust ways, and can even enhance that engagement by forming a 501(c)(4) that may form a Political Action Committee (PAC), a legal entity that can endorse political candidates. Still, it is unclear whether the

values enshrined within the Johnson Amendment can still garner significant political support. Whether or not Congress at some point decides to repeal the Johnson Amendment, the conversation around the role of nonprofits and charities in politics is likely to continue.



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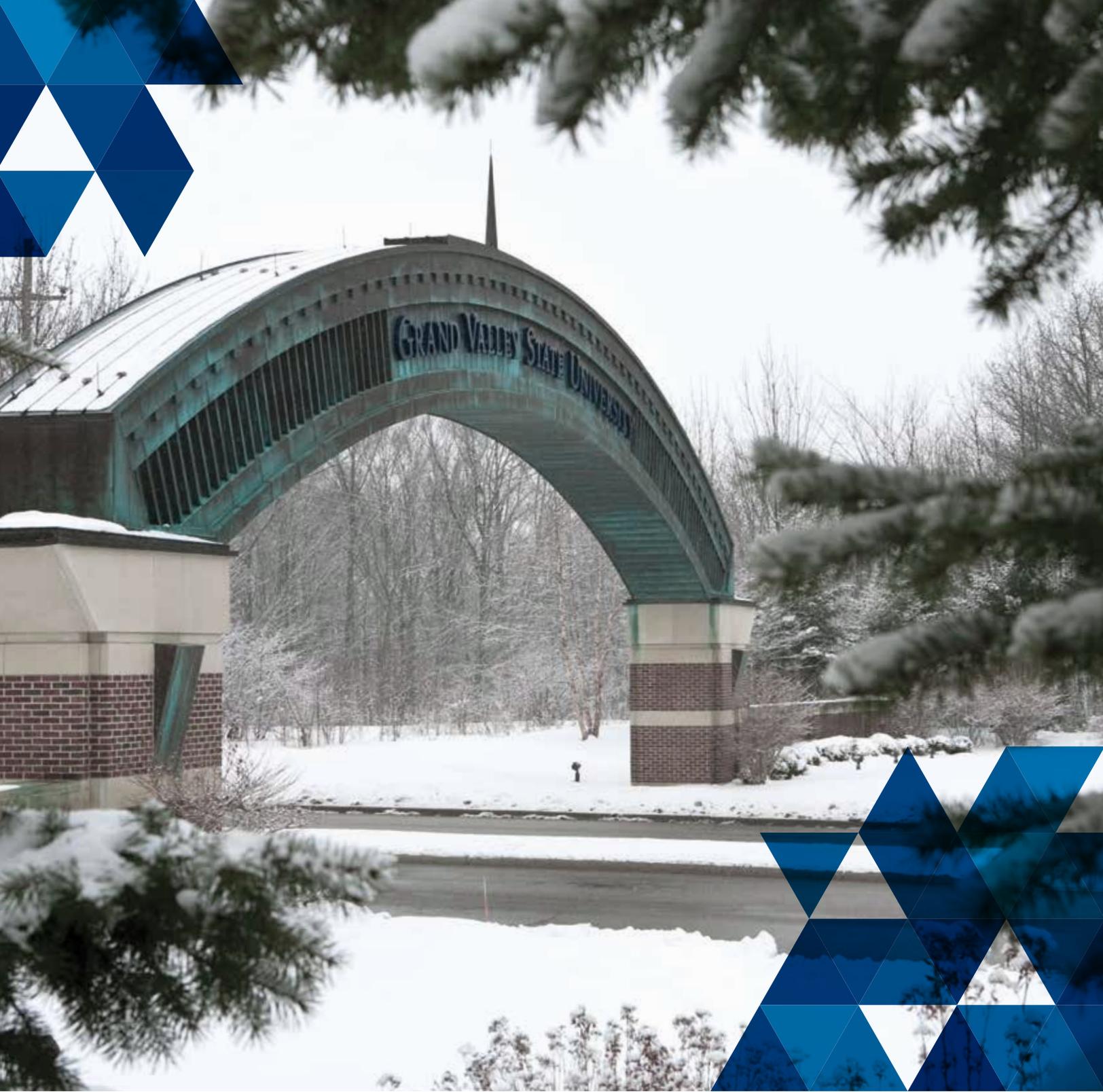
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