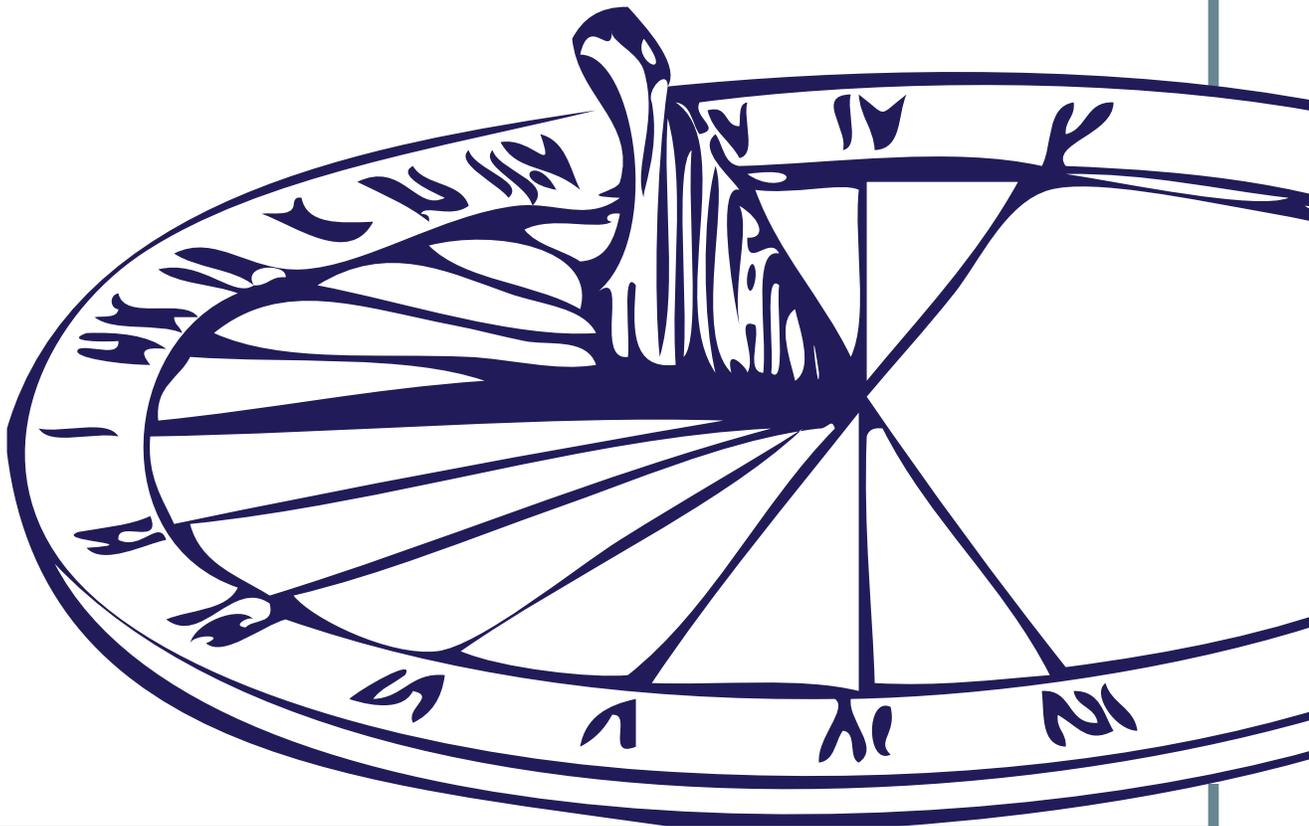


ARIZONA GRANTMAKERS FORUM

MOVING THE DIAL

Arizona Grantmakers and Public Policy



Moving The Dial

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September 2012

Kim VanPelt, Editor

Arizona Grantmakers Forum Public Policy Committee

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METHODS AND ACKNOWLEDGEMENTS

Information from this report was gleaned from a variety of sources. A literature review was performed related to public policy and grantmaking. Information regarding Arizona’s budget and civic engagement challenges were obtained from analyses performed by the Joint Legislative Budget Committee, St. Luke’s Health Initiatives, the Alliance of Arizona Nonprofits, Arizona Town Hall, and the Center for the Future of Arizona.

An informal survey was conducted of Arizona nonprofits and grantmakers to develop a better understanding of how they are engaged in public policy. Interviews were conducted of various Arizona organizations that are currently engaged in public policy to better understand both how funders are currently supporting their work and where grantmakers could play a greater role. We are particularly indebted to Laura Atwell for the time and effort she put into collecting and synthesizing this information.

The quotes and many findings contained in the report come from a 2011 Master’s thesis by Eva Lester that discusses philanthropy and public policy engagement in this state. We are heavily indebted to her research related to why Arizona’s philanthropic community is engaging in public policy – and why they are holding back. Her findings were supplemented by our own experiences listening to funders talk about their thoughts on public policy engagement over the past several years. We also relied on the work of Julia Coffman, a national expert on public policy evaluation, for her thoughts on the myriad of ways grantmakers can be involved in public policy. Finally, we relied on publications from the Alliance for Justice and the legal expertise of attorney Ellis Carter to discuss the legal restrictions to public policy engagement.

Our special thanks to Marissa Theisen and Tom Torretta for their continued support of the Arizona Grantmakers Forum’s Public Policy Committee.

OVERVIEW

Grantmakers play an integral role in shaping public life. They support programs that serve those in need, contributing to efforts as varied as providing food or shelter to the economically disadvantaged to building spaces where people with disabilities may flourish. They enrich the communities in which we live, supporting the arts and efforts to protect the natural environment. Funders also provide vital investments in our community's future, advancing education, research, and economic development.

Grantmakers use an array of strategies to support or enhance the communities in which they reside. Oftentimes, they provide grants to nonprofit organizations to provide direct services, implement specific programs, or support nonprofit operations. Sometimes funders invest in new capital, whether it is a new museum wing or an upgraded mobile hospital clinic. Other times they invest in talent, endowing a chair at a university, or providing scholarships to talented youth.

Funders also help shape public life by investing in public policy-related strategies. Such efforts are aimed at influencing decisions made by governmental bodies or shaping how governmental bodies operate, invest their resources, or provide services to the community. These efforts often aim to:

“UNLESS YOU’RE IN
THERE TRYING TO MAKE
SOME POLICY CHANGES
IT’S GOING TO BE TOUGH
TO MOVE THAT DIAL.”

—TERRI WOGAN,
SOCIAL VENTURE PARTNERS

PUBLIC POLICY STRATEGIES:
EFFORTS AIMED AT INFLUENCING
DECISIONS MADE BY
GOVERNMENTAL BODIES OR
SHAPING HOW GOVERNMENTAL
BODIES OPERATE, INVEST THEIR
RESOURCES OR PROVIDE SERVICES
TO THE COMMUNITY.

- Build or maintain support for fiscal investment in specific areas or programs such as education.
- Change how systems work so that people might have greater access to services.
- Improve the effectiveness or efficiency of government programs.
- Increase public engagement in government decision making and how policy itself is shaped.

Nationally, grantmakers have a long history of public policy engagement. According to historian James Allen Smith, “grantmakers have historically worked to shape policies by using the influence of their boards, by molding elite public opinion, by pursuing campaigns of public information and education, by creating demonstration projects, by using their financial resources strategically to leverage public funds, and by pursuing direct legislative lobbying, judicial strategies, and executive branch persuasion.”¹

1 Dynamic Families: How Small Family Foundations Decide to Make Big Change Through Public Policy, Rebecca Stone, Silverman Center for the Advancement of Philanthropy, 2009, pg. 6.

Still, for many grantmakers, public policy engagement is a new idea – or a lesser used strategy. According to the Foundation Center, only about 11 percent of private and foundation grantmaking goes to advance “structural change” for those who need it most.²

There are many reasons why Arizona funders don’t invest in public policy related efforts. Some cite the history or culture of their organization. Others note the risks: potentially alienating partners or donors if a foundation becomes publicly engaged in promoting a position or cause. Others suggest that outcomes related to public policy investments are hard to measure. Still others erroneously believe that their tax status prevents them from any public policy engagement.

Despite these concerns, there appears to be renewed interest in public policy by many Arizona grantmakers. In part, this is attributable to concerns that recent government budget cuts are undermining many of the investments that funders have made over the years. Funders are also growing increasingly aware that their resources cannot possibly fill all of the needs that exist in communities at a time when jobs are scarce, demands for assistance are growing, and public assistance (in many instances) is shrinking.

Interest is also growing because funders are interested in return on investment. More and more, they are viewing strategies aimed at changing public policy as an effective means of leveraging philanthropic assets. They are also recognizing that as philanthropic leaders, they hold unique positions in their communities at a time when there appears to be a void in reasoned leadership and the public discourse is growing more discordant. Grantmakers can play the role of neutral convenor on policy issues – or even unbiased community advocate.

This policy brief discusses why funders are – and need to be – invested in public policy strategies now more than ever. It discusses some of the reasons why funders shy away from public policy strategies and how those concerns can be ameliorated. It describes the wide array of public policy strategies that are available to grantmakers, providing examples of the ways Arizona funders are engaging in such efforts. Finally, it discusses ideas on how funders could have greater impact in their public policy engagement.



² Center for Lobbying in the Public Interest website, www.clpi.org/the-law/foundations.

THE CASE FOR STRENGTHENING PUBLIC POLICY INVESTMENTS

There are multiple reasons why Arizona's philanthropic leaders are beginning to pay more attention to public policy. One reason is because many of philanthropy's community investments are beginning to be undermined by significant state budget cuts.

DIMINISHING PUBLIC INVESTMENT

Arizona has experienced some of the most significant annual budget shortfalls in the country when the size of the deficit in relationship to the overall budget is considered.³ Over the past four years, our state responded to budget shortfalls by making a modest, short-term increase in revenue through a temporary sales tax that is currently set to expire in May 2013. Policy makers also borrowed money and implemented a variety of other tactics to balance each year's budget. Millions of dollars designated for a wide range of purposes – from the arts to nursing education to substance abuse services to housing assistance – have been diverted to balance the general fund.

Nonetheless, most of our state's budget gap (24 percent) has been addressed by permanent government spending reductions. Federal stimulus dollars have filled some of these budget holes until recently, but that federal support has now ended.

These budget cuts are having an impact on many of the same areas in which Arizona funders have invested heavily over the years. Seventy percent of state budget cuts have been in the areas of health, human services, and education. For example, since February 2009, state general fund support for:

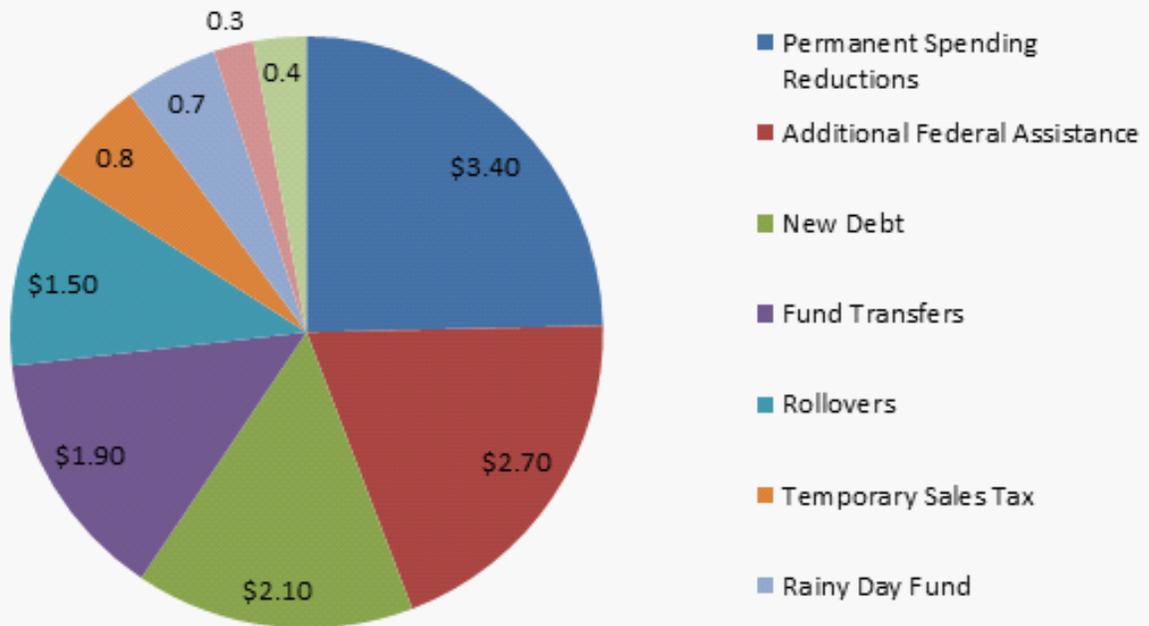
- Health (AHCCCS and the Arizona Department of Health Services) decreased by 29 percent (\$957 million)
- K-12 education decreased by 18 percent (\$586 million)
- Higher education decreased by 15 percent (\$489 million)⁴

STATE FUNDING CUTS FOR HEALTH, HUMAN SERVICES AND EDUCATION ALONE HAVE AMOUNTED TO \$2.3 BILLION SINCE FEBRUARY 2009 – AN ENORMOUS AMOUNT WHEN COMPARED TO PHILANTHROPIC GIVING. IN CONTRAST, GRANTS AWARDED BY ARIZONA GRANTMAKERS IN THE AREAS OF HEALTH, EDUCATION AND HUMAN SERVICES AMOUNTED TO A LITTLE MORE THAN \$333 MILLION IN 2008.

³ McNichol, Elizabeth, Oliff, Phil and Johnson, Nicholas. (2012, May 24). States Continue to Feel Recession's Impact. Center on Budget and Policy Priorities.

⁴ Joint Legislative Budget Committee Documents, including FY 09 Budget Revisions Plan as Enacted (2/10/09); FY 10 Budget Plan Summary (8/20/09) and 9/4 Budget Summary as Enacted; Potential 4th Special Session Final 11/23/09; and FY 11 and FY 12 Ap-props Reports 6/15/11.

HOW \$13.9 BILLION IN ARIZONA'S BUDGET SHORTFALLS HAVE BEEN ADDRESSED SINCE FY 08 (Dollars in Billions)



Source: Joint Legislative Budget Committee 8/10/11

In many instances, these state funding reductions also resulted in significant losses in federal matching dollars. For example, cuts to AHCCCS typically result in a loss of two dollars in federal funding for every dollar in state funding that is cut.

Together, these funding reductions are having a profound effect on the health, education and other systems in our state. For example:

- Over 149,000 medically vulnerable adults and children lost access to some or all of their health services due to reductions to programs serving those with significant illnesses or impairments such as those suffering from a serious mental illness, spina bifida, or cerebral palsy since 2008.⁵
- More than 150,000 Arizonans have lost access to publicly financed health insurance since 2008 due to enrollment freezes on KidsCare and AHCCCS (for adults who do not have children living in their home), elimination of the KidsCare Parents insurance program, and the elimination of a 147-year old commitment by our state to pay for health services for those who face catastrophic health expenses due to illnesses such as cancer.⁶
- Uncompensated care at Arizona hospitals has increased 71 percent during the last quarter of 2010 due in large part to public coverage shrinking.⁷

5 St. Luke's Health Initiatives. After the Dust Settles. April 2011.

6 St. Luke's Health Initiatives. Reknitting the Safety Net. March, 2012. (forthcoming)

7 Arizona Hospital and Healthcare Association. Uncompensated Care Costs Expected to Increase More than 60 Percent.

- State funding for all-day kindergarten was eliminated, resulting in families either having to forgo early education for their young child or causing districts or parents to pay for preparing their children for school.⁸
- The state eliminated money that had been dedicated to increasing the number of math and science teachers in the state.⁹
- State funding for adult education and GED classes, family literacy and drop-out prevention programs, and support for gifted students were suspended beginning in FY 2010.¹⁰
- Child care assistance for low-income families has been frozen since February 2009, except for a brief period last summer when the freeze was lifted.
- Undergraduate tuition at Arizona’s universities rose an average of nearly 12 percent since FY 2007.¹¹
- The cuts are also having an impact on Arizona’s nonprofits – the recipients of many of the philanthropic community’s dollars. In a recent survey conducted by the Alliance of Arizona Nonprofits, 31 percent of nonprofits reported revenue losses from government sources. Forty-four percent expected government sources of revenue to decline further over the next year.¹²

Arizona’s economy is beginning to improve, but state spending is not likely to increase significantly over the next several years. While the state will likely accrue significant fund balances due to an uptick in revenue during this and the next fiscal year,¹³ the Arizona Legislature has articulated a preference for paying down debt, continuing its funding cuts, and implementing new tax cuts in 2011 and 2012.¹⁴ As a result, shortfalls are projected to return during FY 2014 once the temporary 1-cent sales tax expires. Indeed, the FY 2014 deficit is expected to be \$331.9 million – the majority of which is attributable to recent tax cuts.¹⁵

It is difficult to downplay the impact these cuts are having on philanthropy’s investments. More often than not, foundation grantmaking is based on the assumption that funders are working to *improve* existing conditions – not fill a hole that is growing deeper and deeper. For example:

- Many funders have invested significantly in recent years to bolster education in our state, funding efforts to strengthen curriculum, teacher training and standards. However, significant cuts to education funding suggest that some of these investments are being undermined as class sizes increase and teaching positions are eliminated.
- Many funders have also invested over the years to strengthen access to care by strengthening safety-net healthcare programs or working to optimize enrollment in coverage programs such as KidsCare. However, public coverage enrollment freezes have resulted in dramatic drops in coverage and increased strain on a wide array of safety net providers, from hospitals to community-based clinics.

8 Arizona Education Association. Arizona’s Education Budget Cuts Explanation, FY 2009 – FY 2012.

9 Ibid.

10 Ibid.

11 Joint Legislative Budget Committee. Universities: January 31 and February 1, 2012 Appropriations Committee Hearings.

12 Alliance of Arizona Nonprofits. Borderline: Hope and Concerns for Arizona Nonprofits, February 2012.

13 Joint Legislative Budget Committee. FY 2012 JLBC Baseline Summary, January 2012. FY 13 Appropriations Report, retrieved from <http://www.azleg.gov/jlbc/13AR/FY2013AppropRpt.pdf>.

14 Rau, AB and Pitzl, MJ. “Legislature Releases Budget.” *The Arizona Republic*, February 21, 2012. Joint Legislative Budget Committee, Statement of General Fund Revenues and Expenditures, 5/4/12.

15 Joint Legislative Budget Committee. Universities: January 31 and February 1, 2012 Appropriations Committee Hearings.

As government funding evaporates, it is harder for funders to improve anything as the ground beneath many of their efforts erodes. Moreover, there may be little that funders can do to fill the holes left by government funding cuts. Indeed, state funding cuts for health, human services, and education alone have amounted to \$2.3 billion since February 2009¹⁶ – an enormous amount when compared to philanthropic giving. In contrast, grants awarded by Arizona grantmakers in the areas of health, education, and human services amounted to a little more than \$333 million in 2008.¹⁷

OTHER REASONS FOR ENGAGEMENT

State funding cuts are not the only reasons philanthropy is paying closer attention to public policy.

Other reasons include:

Voice for the disenfranchised, underserved or needy – The mission of many grantmakers – either originally or over time – has become focused on addressing the needs of the underserved. Thus, some funders have an organizational or moral imperative to speak out or act when changes occur that affect the people whose interests they represent.

For example, when SB 1070 was passed more than two years ago, some funders felt the law would harm communities that they were supposed to represent and therefore took action in some way, from speaking out against the measure publicly to investing in community organizing to strengthen the role that Latinos play in the civil discourse.

“WHETHER IT’S VOTERS, THE MAYOR, THE COUNTY BOARD OF SUPERVISORS, A SCHOOL BOARD OR THE LEGISLATURE, WE HAVE GOT TO CHANGE PUBLIC POLICY. UNLESS WE’RE REALLY HAPPY WITH THE WAY THINGS ARE WORKING NOW.”

JOHN WHITEMAN,
WHITEMAN FOUNDATION

16 Joint Legislative Budget Committee Documents, including FY 09 Budget Revisions Plan as Enacted (2/10/09); FY 10 Budget Plan Summary (8/20/09) and 9/4 Budget Summary as Enacted; Potential 4th Special Session Final 11/23/09; and FY 11 and FY 12 Ap-props Reports 6/15/11.

17 Analysis based on information from Arizona Grantmakers Forum 2010 Arizona Giving Report.

Other funders feel obligated to enter the public policy realm as they bear witness to the growing needs of Arizonans. As Arizona's economic crisis has taken its toll over the past several years, the needs of individuals and families have risen. Funders often have a keen understanding of community needs – and they are aware that these needs cannot be met by philanthropy alone.

Need for civic engagement – Some funders also recognize the need to improve civic engagement in this state, prompting them to support related civic engagement strategies such as voter registration, voter engagement and leadership training efforts. According to the Center for the Future of Arizona's 2011 Arizona Civic Health Index, only 10 percent of Arizonans contacted or visited a public official in 2010. The report also notes that while progress appears to have been made recently in voter turnout, Arizona's voter turnout for Presidential elections since 1980 has been below the national average for all election years except 2004.¹⁸

Addressing systems issues – Philanthropy is also increasingly interested in public policy due to recognition that many of Arizona's challenges can be attributed to *systems* or *structural* issues. Such problems often require an array of actions to occur for change to happen. Such broad-scale change efforts often require political leadership, and may require changes in law, public investment, or how government operates.

For example, the recent economic downturn has magnified the need for Arizona to strengthen economic development and depend less on the real estate sector for growth in order to create high-paying jobs. While funders can help invest in specific programs or efforts to foster high-paying jobs or industries, such efforts often require partnerships with universities, community colleges, and other public entities, and many times require government dollars to bring change efforts to scale. There is a need for *systems* solutions to occur if significant change is to be realized.

Arizona is also facing structural challenges that some funders are interested in addressing. For example, the state's enduring budget crisis has led some funders to understand that decreased public funding for many of their priority areas are attributable to budget imbalances, which in turn are attributable to choices made on how our state raises and spends revenue.

Addressing the "root cause" of issues is not easy to do, but some funders believe that addressing the cause and not just the symptoms of a problem is the key to resolving enduring social problems.

Return on investment – Another reason why philanthropy is becoming more interested in public policy is because there is increasing evidence that it can lead to impressive results.

The National Committee on Responsive Philanthropy analyzed the return on investment of policy and civic engagement investments among grantmakers, looking at research documenting the impact of such investments in 13 states over a three-year time period. It found that:

18 Center for the Future of Arizona. 2011 Arizona Civic Health Index. 2011.

- For every dollar invested in policy and civic engagement-related efforts, there was a community return of \$115 in community benefit.
- Investments resulted in a wide array of change, including increased government spending, increased government savings, improvements in service delivery, programmatic efficiencies, and increases in government revenue.
- These investments resulted in more than 700,000 residents in 13 states – enough to fill the nation’s several largest football stadiums at once – having an opportunity to voice their concerns publicly, having ripple effects on the leadership development and the broader community in general.¹⁹

Examples on the cost-effectiveness of investments in public policy strategies can also be found closer to home. For example, limited investments by advocacy and other groups have yielded a number of public policy changes in the area of tobacco control and cessation in our state in recent years, from increasing the tax on cigarettes to banning smoking in public establishments. Arizona now has among the lowest rates of smoking in the country. Since the 2007 passage of Smoke-Free Arizona (which banned smoking in public places), 230,000 Arizona smokers quit using tobacco. It is estimated that nearly a quarter of a million fewer people smoking will result in \$1.4 billion in savings in workplace productivity, pre-mature deaths, and direct medical expenses.²⁰

AGGREGATE MONETARY BENEFITS AND RETURN ON INVESTMENT (FIVE-YEAR PERIOD)

Location	Nonprofits in the Sample	Total Spend on Advocacy and Organizing	Total Value of Monetized Impacts	Return on Investment
New Mexico	14	\$16,645,835	\$2,616,105,670	\$157 to \$1
North Carolina	13	\$20,365,023	\$1,808,316,547	\$89 to \$1
Minnesota	15	\$16,535,602	\$2,282,889,293	\$138 to \$1
Los Angeles County	15	\$75,501,269	\$6,886,534,758	\$91 to \$1
Northwest (ID, MT, OR, WA)	20	\$33,869,587	\$5,097,554,582	\$151 to \$1
Pennsylvania	13	\$26,086,613	\$3,175,929,346	\$122 to \$1
Gulf/Midsouth (AL, AR, LA, MS)	20	\$41,863,253	\$4,767,944,258	\$114 to \$1
AGGREGATE	110	\$230,867,182	\$26,635,274,454	\$115 to \$1

Source: See Rangheli, Lisa

¹⁹ Rangheli, Lisa. Leveraging Limited Dollars: How Grantmakers Achieve Tangible Results by Funding Policy and Community Engagement. National Committee for Responsive Philanthropy.

²⁰ 5th Anniversary of Arizona Smoke-Free Act: A Success Story. (2012, May 24). Arizona Department of Health Services.

OVERCOMING THE OBSTACLES

While many funders are engaging in public policy, still others note a variety of reasons why their foundation is not engaged. In many instances, barriers noted could be addressed or overcome, allowing for greater investment in public policy work by the philanthropic sector in our state to occur.

LEGAL RESTRICTIONS

Legal restrictions are one reason why many grantmakers don't engage in public policy.

While legal restrictions do exist, they primarily center on limitations for grantmakers to *lobby or intervene (directly or indirectly) on behalf of (or in opposition to) any candidate for elective office*.²¹ Specifically, grantmakers classified as public charities for tax purposes can lobby to a limited degree, while grantmakers classified as private foundations are strictly prohibited from lobbying with very few exceptions. The penalty for transgression is loss of tax-exempt status. These restrictions tend to have a chilling effect on many grantmakers who fear a costly misstep; however, as noted above, there are many other ways that grantmakers can be engaged in public policy.

For example, there are no prohibitions on grantmakers' abilities to *advocate* on an issue, meaning that they can freely talk about the pros and cons of any issue as long as they are not discussing a specific legislative proposal. There are only restrictions on their ability to *lobby* (directly or indirectly) on behalf of particular legislation. Activities often disregarded by grantmakers such as voter mobilization efforts ("get-out-the-vote") campaigns, grassroots organizing, and voter registration efforts are all permissible as long as they are not aimed at supporting a particular candidate or proposed legislation. Public charities are even permitted to publicly support ballot measures in certain instances.

"ADDRESSING THE ROOTS VERSUS THE CONSEQUENCES REQUIRES PATIENCE, REQUIRES DELAYED GRATIFICATION, REQUIRES A LOT MORE MONEY OVER A LONGER PERIOD OF TIME, BUT I DON'T SEE HOW YOU MAKE CHANGE UNLESS YOU DO THAT."

**MARILYN SEYMANN,
BRUCE T. HALLE FAMILY FOUNDATION**

²¹ Internal Revenue Service 2010 (b) "The Restriction of Political Campaign Intervention by Section 501 (c) 3 Tax-Exempt Organizations."

Latitude even exists for many grantmakers to lobby. Grantmakers that are classified as public charities under the tax code are allowed to engage in a limited amount of lobbying as long as they declare this activity at tax time.²²

Private foundations are prohibited from influencing specific legislation. However, there are many opportunities for private foundations to engage policy makers such as:

- Some direct communications. Direct communications with legislators or their staff is allowed when there is either 1) no reference to a specific legislative proposal; or 2) no view is expressed on a specific proposal. This is not considered lobbying.
- Certain communications with the general public. Communications with the general public is allowed where there is 1) no reference to a specific legislative proposal; 2) no view expressed on such a proposal; or 3) no call to action. This is not considered lobbying.
 - Example: A statement that “there ought to be a law that says X,” but with no call to action, would not be lobbying.
 - Example: An encouragement to “call your legislator” about a general issue, but with no reference to a specific legislative proposal, would not be lobbying.
- Some communications with government executive or administrative officials. This is permissible when 1) there is no reference to a specific legislative proposal; 2) no view is expressed on such a proposal; or 3) the official or staff person will not participate in the formulation of the legislation.
- Attempts to influence regulations or other administrative or executive action. Attempts to influence regulations or other administrative or executive action (including those that are implementing legislation) are not considered lobbying, even if the recipient of the communication is a legislator. This is because the action sought is not itself legislation.
- Litigation activity. Communications made as a party to litigation are not lobbying.
- “Self-defense” lobbying communications. “Self-defense” lobbying communications with legislators or their staff (but not the general public) on possible action that might affect the foundation’s or its grantee’s existence, powers and duties or tax-exempt status or the deductibility of contributions to it are not lobbying. However, lobbying concerning the foundation’s or grantee’s program, budget, etc. does not meet the self-defense exception.
- Responses to legislators asking for technical advice. Responding to written requests from a legislative body, committee or subdivision (not a single legislator or informal group of legislators) for technical advice or assistance on pending or potential legislation is not lobbying.
- Nonpartisan analysis, study, or research on legislative issue. Making available the results of nonpartisan analysis, studies, or research on a legislative issue (with no direct call to action if it is communicated to the general public) is not considered lobbying. This must constitute an objective, educational presentation but may express an opinion or conclusion as to the desirability of legislation.

22 Lester, Eva Lorraine. *Advancing Upstream: Philanthropy’s Aspirations for Social Justice*. MS thesis. Arizona State University, Tempe, 2011. ASU Electronic Dissertations and Theses. Retrieved from http://repository.asu.edu/attachments/56619/content/Lester_asu_0010N_10510.pdf.

"A LOT OF PHILANTHROPY WAS ABOUT FILLING THE GAP, BUT I THINK NOW IT'S ATTEMPTING TO PLAY A MORE INFLUENTIAL ROLE IN CHANGING PRACTICE, CHANGING POLICY, MAKING LONG-TERM INSTITUTIONAL CHANGES IN THE WAY THINGS ARE DONE. AND I SEE THAT AS A GREAT MOVE. I LIKE THE FACT THAT MORE FOUNDATIONS ARE TRYING TO FIND WAYS TO INFLUENCE WHAT'S HAPPENING IN THIS COUNTRY NOT JUST FOR THE MOMENT BUT FOR THE FUTURE."

JESSIE RASMUSSEN,
BUFFETT EARLY CHILDHOOD FUND



- Discussions on broad policy issues. Discussions of broad policy issues requiring a legislative solution are not lobbying, so long as the merits of the specific legislation are not discussed.
- Communications by grantee to its members. Communications by a grantee to its members about specific legislation of direct interest to the grantee are not considered lobbying, as long as there is no direct call to action.
- Personal activity of members on own time. Personal activity of foundation or grantee directors, trustees, employees, or volunteers is not lobbying, as long as it is on their own time, at their own expense and does not use the organization's resources or name.

Grantmakers (both public charities and private foundations) can even provide financial support to organizations that lobby, as long as the funding is either 1) within the public foundation's lobbying limits; 2) is for the grantee's general operating support; or 3) is provided based on a promise that the grantmaker's funds will not be used for lobbying.²³

Despite the wide latitude available to grantmakers to engage in public policy, many do not engage due to lack of understanding of the tax laws or misunderstanding about the differences between lobbying and advocacy.²⁴ Better understanding of the number of public policy tools that are legally available to grantmakers could allow them to become more engaged in public policy and potentially make them more effective in achieving their missions as they employ previously overlooked strategies.

RISK AND PUBLIC PERCEPTION

Foundation representatives frequently cite the risks associated with engagement in public policy. Philanthropic leaders talk about the fear that they (or their trustees) have in taking a stand on issues that may be disliked by some people. They worry that unpopular stands on policy issues may jeopardize community or partner support for other areas of the foundation's work. They also note that by engaging in public policy, grantmakers may become embroiled in partisan politics, or appear to be taking political sides. Foundation executives also mention the challenges of juggling multiple stakeholders' opinions, including those of their board members.

While the risks described above are real, there are also many ways that grantmakers can mitigate these concerns.

First, it is important to understand that engagement in public policy does not necessarily equate to backing or opposing a particular piece of legislation. Involvement in public policy can include a wide array of activities aimed at influencing decisions made by governmental bodies or shaping how governmental bodies operate, invest their resources, or provide services to the community.

23 Alliance for Justice. *Investing in Change: A Funder's Guide to Supporting Advocacy*, 2004.

24 Public Policy Initiative. *Public Policy, Politics and Philanthropy*. February 1, 2004.

In a report developed for the James Irvine Foundation, evaluation expert Julia Coffman describes a framework in which funders can think about investing in public policy. She lists a variety of public policy strategies available to funders, including:

- Public Education
- Public Polling
- Educating Influencers
- Educating Policy Makers
- Policy Analysis/Research
- Public Awareness Campaigns
- Voter Outreach
- Demonstration Programs
- Leadership Development
- Advocacy Capacity Building
- Communications and Messaging
- Public Forums
- Public Will Campaigns
- Media Advocacy Champion Development
- Litigation
- Model Legislation
- Regulatory Feedback
- Community Organizing
- Coalition Building
- Community Mobilization

“I DON’T THINK THERE’S AN AREA WHERE YOU CAN DO MORE GOOD WITH LIMITED RESOURCES THAN IN THE AREA OF ADVOCACY. AND I THINK MANY, MANY FOUNDATIONS FEEL THE SAME.”

JERRY HIRSCH,
LODESTAR
FOUNDATION

She describes how the strategies vary in terms of audience (the public at-large, influencers, or policy makers) and the expected outcomes from the strategy (build awareness, build will, or create action).²⁵

The breadth of available public policy strategies suggests that there are many opportunities for funders to engage in public policy strategies that limit their public exposure – or their exposure to elected officials. There are also a variety of strategies available that allow funders to move public policy in an issue area forward rather than calling for an immediate or specific call for political action or backing a specific piece of legislation.

Another way that grantmakers can minimize risk is to invest in existing advocacy groups to help move various public policy agendas. Such an approach allows the advocacy organizations to play a more direct role in communicating with the public or policy makers on issues, while limiting the foundation’s own exposure to public scrutiny. However, it is important to emphasize that if such an approach is taken, the grantmaker should be prepared to talk openly about their support for their advocacy investments. Grantmakers’ actions should always be transparent.

25 Coffman, J. Foundations and Public Policy Grantmaking. The James Irvine Foundation, March 2008.

Concerns about appearing partisan can be addressed in a number of ways. If a foundation is supporting a particular issue or piece of legislation publicly, they can minimize partisan perceptions by engaging champions of various political persuasions. In addition, funders can minimize perceptions of partisanship by focusing on the issues themselves and discussing them in the context of the funder’s mission, its values, available research, or community need rather than discussing it in the context of a particular partisan proposal.

MEASUREMENT AND ACCOUNTABILITY

Another reason why some grantmakers don’t engage in public policy is because it is difficult to measure success or return-on-investment. This is especially problematic for many funders given philanthropy’s increased emphasis on measurement and accountability in recent years.

It is difficult, if not impossible, to show that a foundation’s investment *caused* policy change to occur. After all, changes in public policy are affected by a wide array of factors, ranging from current events to who holds political office. It is nonetheless possible to measure a foundation’s *contribution* towards public policy change. For example, if a foundation invests in public awareness efforts as a strategy, it can measure changes in public awareness or number of media impressions delivered as a means of evaluating its effectiveness.

In recent years, a lot of progress has been made in the field of evaluating public policy efforts. Large grantmakers such as the Annie E. Casey Foundation, the James Irvine Foundation, the California Endowment, and the Packard Foundation have invested in developing new methods for evaluating their public policy efforts, and there is now a burgeoning field of research in an area where there was once scant available information.

Funders also note that they are sometimes reluctant to engage in public policy efforts since any outcomes that might be achieved are long-term in nature. Again, given the increased emphasis on results in philanthropy, it is understandable why public policy investments may seem unattractive to many in the philanthropic field.

It is indeed true that it takes time and patience to see any returns on public policy investments. One way that grantmakers can make this type of investment more palatable is to consider it in the context of the mix of investments that a foundation makes. Just like our individual investment portfolios, some types of investments are meant to yield more immediate returns while others are meant to build value over the long term.

ARIZONA GRANTMAKERS’ ENGAGEMENT IN PUBLIC POLICY

Arizona grantmakers have been involved in shaping public policy in a wide variety of ways. While some Arizona grantmakers have been reluctant to invest in public policy, there are still many examples of how Arizona funders are including public policy strategies as part of their investment portfolios. For example:



Virginia G. Piper Charitable Trust spearheads strategic initiatives related to fostering early learning among Arizona’s children. Working in partnership with the Arizona Department of Education, the Arizona Head Start Collaboration Office, **First Things First**, and other local philanthropic partners, Piper Trust is investing in a full-time literacy director to lead state and local early literacy planning efforts. The literacy director will connect existing public and private early literacy programs and create strategies to increase grade-level reading proficiency by the end of third grade. Piper Trust is also actively involved in discussions with public officials and other stakeholders on how the state might best assess young children’s literacy readiness and literacy needs when they begin kindergarten. These conversations include consideration of how public and private resources (such as foundation support) could be used to conduct such assessments.

The McMiles Foundation invests in a variety of advocacy organizations in an effort to engage, educate, and empower individuals and groups experiencing social and economic inequities. The foundation’s key grantees have included Border Action Network, Children’s Action Alliance, Valley Interfaith Project, The Protecting Arizona’s Family Coalition, and the Association of Arizona Food Banks. Though in some ways very different organizations, they share some important qualities: addressing issues at grassroots, state, and federal levels; using research to support their efforts; taking long-term approaches for making change; and understanding the need to engage the academic, business, and government sectors for change to occur. The specific advocacy efforts include advocating for youth in our juvenile justice system; educating immigrant communities to ensure that they understand their rights so they can create safer and more engaged communities; conducting leadership training in grassroots communities to help individuals find their voice and serve to help other community members become more civically engaged; registering and mobilizing voters; advocating for more equitable, efficient, and effective nutrition assistance programs and policies; and building coalitions of health and human service providers and advocates to stop policy makers from pitting groups against one another in the state budget process. The ultimate goal of these investments is to help prepare the individual and communities to be more educated and civically engaged so they can create the kind of Arizona they want to live in.

The **Arizona Foundation for Women** was actively engaged in recent years in advocacy and lobbying efforts aimed at ending payday lending in Arizona. The Foundation – working with others including **Valley of the Sun United Way** and AARP – provided credible information to the Governor’s Office and legislators on the harmful impact of payday loans on women, the poor, and the elderly. The foundation authored newspaper op-eds, building community awareness of the issue. It also lobbied lawmakers directly to encourage them to vote against bills extending a sunset provision in the law allowing payday loan lenders to operate. The efforts by the Arizona Foundation for Women and others resulted in the law authorizing the payday loan industry to operate expiring, ending the harmful industry practice in our state.

Expect More Arizona was created as a statewide, nonpartisan collaborative effort by business, philanthropic, and community leaders – including **Helios Education Foundation**, **Arizona Community Foundation**, and **Virginia G. Piper Charitable Trust**, among others – with the goal of ensuring a world-class education from birth

to career for all students. The work began as a project of Governor Napolitano's P-20 Council and transitioned into an independent statewide partnership in 2009, now known as Expect More Arizona. Expect More Arizona's work initially focused on building awareness through statewide media campaigns designed to build public awareness about the importance and value of education. As the organization's work has grown, it has sought to make education a top priority for all Arizonans and to encourage individuals to move from awareness to action through various campaigns, such as Vote 4 Education—an initiative launched in 2010 to help Arizonans understand key issues about the state's education system and how they can participate in making education a top priority during the primary and general elections.

"I THINK YOU'RE SEEING DONORS BECOMING REALLY ENGAGED IN ONE SINGLE ISSUE THAT THEY CAN REALLY GET THEIR ARMS AROUND, AND THEN RELENTLESSLY PURSUING THAT SINGLE ISSUE. . . . YOU CAN NOT ONLY CONCENTRATE YOUR RESOURCES, BUT TAKE A VERTICALLY INTEGRATED APPROACH WHERE YOU INVEST IN SERVICES, ADVOCACY, PUBLIC AWARENESS (ON A SINGLE ISSUE). THAT'S VERTICAL INTEGRATION AND IT'S REALLY SMART, AND THAT'S HOW WE ARE GOING TO SEE RESULTS."

JODI LIGGETT,
ARIZONA FOUNDATION FOR
WOMEN

LISC, St. Luke's Health Initiatives, the Arizona Community Foundation, and Raza Development Fund have joined together with representatives from state and municipal housing and transportation agencies, community-based organizations, and representatives from the cities of Phoenix, Mesa, and Tempe to form the Sustainable Communities Collaborative. This effort is aimed at fostering systems approaches to transit-oriented development along the light rail. As part of this effort, funders such as LISC and Raza have pooled their dollars for predevelopment work in an effort to help leverage federal and other dollars for sustainable development in these urban areas. This multi-sector effort also encourages cities to look at a variety of factors including the health, economic, environmental and social issues when making community development decisions. It also harnesses the resources of foundations, public, private, and nonprofit partners to transform the region's built environment.

St. Luke's Health Initiatives (SLHI) is involved in a variety of efforts aimed at bolstering the advocacy capacity of health providers and advocates in Arizona, and raising the importance of health issues on the public agenda. SLHI is investing in public polling on healthcare issues to increase awareness among policy makers of the importance of access to care and other health issues to voters. It has contracted with local and national communications firms in an effort to increase community awareness of the impact of budget cuts on vulnerable citizens in our state. It is investing in a variety of health advocacy organizations to strengthen their ability to build champions and mobilize citizens at a grassroots level. It is also sponsoring candidate forums in legislative districts to ensure that health is a front-and-center issue for candidates.

The **Flinn Foundation** has been engaged in an effort since 2002 to strengthen Arizona's biomedical research base and build a critical mass of bioscience firms and jobs. As part of this effort, it commissioned Battelle, the U.S. leader in positioning regions to excel in technology and the sciences, to develop a bioscience roadmap for Arizona. The "roadmap" outlined specific actions the state should take on business- and policy-oriented issues.

Since the roadmap's creation, Flinn has engaged experts in science, business, and policy to help make roadmap recommendations a reality. In 2010, Flinn introduced a new initiative involving public policy when it launched the Arizona Center for Civic Leadership. Co-funded by the Thomas R. Brown Foundations of Tucson, the Center offers three programs that aim to strengthen civic leadership in Arizona—the Flinn-Brown Civic Leadership Academy, developing future state-level leaders through an intensive seminar series that includes study of policy issues; the Arizona Civic Leadership Collaborative, comprised of organizations interested in strengthening civic leadership; and a communication and outreach program.

MOVING THE DIAL

While many Arizona grantmakers are engaging in public policy, there are opportunities for the foundation community to become even more effective in shaping public policy in this state.

INCREASING PUBLIC POLICY INVESTMENT

One way that the grantmaking community could become more effective in accomplishing their goals is by increasing their investment in public policy strategies. Grantmakers that currently have no investment in public policy might consider adding an investment in a public policy strategy (or investment in organizations to employ such strategies) to their portfolio of funding decisions.

Grantmakers that currently do invest in some public policy strategies might consider expanding the types of strategies that they use. While there is no magic mix of strategies that lead to success in the public policy realm, some have noted that limiting investments to strategies that only build awareness of issues are unlikely to lead to change.²⁶ Similarly, grassroots organizing efforts may be limited in their effectiveness if there is a lack of understanding or awareness of the policy issues.

CONNECTING THE DOTS

Another way that funders could become more effective in the area of public policy is through coordination, information sharing, and collaboration.

When funders invest in public policy efforts, they often do so in silos, funding individual efforts or organizations. Rarely do they bring the organizations they fund together to help determine how the individual public policy efforts might complement one another more effectively.

Funders could help coordinate action and improve overall effectiveness of various public policy efforts by acting as a convener or network builder. Promoting coordination and collaboration among organizations engaged in public policy work would foster synergy among organizations. In a frequently cited example, funders in eight states brought 125 organizations in the Midwest together to identify how they might work together more effectively to reduce global warming emissions. The results of this network building effort (called Re-Amp) were impressive, leading to the passage of legislation in six states, and the halted development of 28 coal plants. Key components of their success included use of mapping systems to help understand how best to coordinate

26 Coffman, J. Foundations and Public Policy Grantmaking. The James Irvine Foundation, March 2008.

action; creating networks for communication to share information; an acceptance of the decentralized nature of the efforts; investment in leadership at multiple levels; and willingness to act as partners (not just funders) through the entire process.²⁷

Grantmakers could even improve their investments in public policy efforts by working among themselves more effectively. As information was collected on how Arizona grantmakers are currently investing in public policy in Arizona for this report, it became clear that oftentimes funders are unaware of what other funders are doing in the area of public policy. Many are making grants to the same organizations – or investing in very similar strategies. Opportunities may exist for funders to work together to see how their investments in the same organizations could complement one another. There may also be ways to make sure that investments in similar strategies (such as voter registration efforts) are coordinated and complementary. There may even be ways for different funders' investments in different strategies to complement one another. For example, efforts by one funder to develop messaging on an issue could be used to help inform public awareness efforts supported by another foundation.

Arizona Grantmakers Forum's Public Policy committee is beginning to play a role in helping connect these dots by collecting and sharing information on how funders are investing, identifying opportunities for collaboration, or highlighting areas of needed investment.

PROVIDING LEADERSHIP

Arizona grantmakers could also help move the dial on many policy issues in the state by publicly speaking out on issues of concern or championing specific ideas that have not been formally proposed as legislation. Philanthropic leaders could do this individually or as a group, submitting op-eds, or speaking out on issues in the media.

This is somewhat foreign territory to many of Arizona's philanthropic leaders. Oftentimes, they don't see themselves as leaders, and may be reluctant to play such a public role. However, the irony is that the community may actually *need* philanthropic leaders to act as public leaders. It is not too hard to argue that there is a dearth of effective public leadership in our state. Increasingly, businesses are run by out-of-state executives who have little personal investment in the communities in which they operate. Most would also agree that the political discourse is increasingly cantankerous and unproductive. Philanthropy could play a role in filling the vacuum, discussing the issues and solutions that could move Arizona forward.



27 Grant, Heather McLeod Grant. Transformer: How to Build a Network to Change a System. A Case Study of the RE-AMP Energy Network. The Monitor Institute. Fall 2010.

Another reason why philanthropic leaders may need to serve as public leaders is because they enjoy unique positions in public life. In many ways, philanthropic leaders have far more freedom to talk about issues than leaders in the business or government. While leaders in every sector are accountable and bear risks when they take a stand on an issue, it is not difficult to argue that philanthropic leaders have more freedom to articulate what is in society's interest and not just promote what is fiscally or politically expedient.

STARTING SMALL

Another way that funders could increase their role in public policy could be to champion specific issues that are of concern to funders across the board. For example, specific regulatory requirements or proposed tax changes that affect the philanthropic or nonprofit communities could serve as a starting point for nonprofits and funders to begin working together to change public policy. Grantmakers and nonprofits in other states have successfully engaged in such efforts.

OR THINKING BIG

While grantmakers have different interests and missions, many times the issues that they are attempting to address have similar root causes. Again, this could provide an opportunity for funders to work collaboratively to move issues.

For example, one of the reasons that some funders may have difficulty achieving progress in some of their goal areas may be attributable to state budget cuts undermining their investments. As noted before, those cuts may be linked to structural issues related to how our state raises and spends money. Funders could work together to address this issue, sponsoring research on how to build sustainable budgets, building awareness on why a sustainable budget is important to Arizonans, and funding efforts to organize and mobilize support. Similarly, lack of civic engagement is of common concern to many funders. Funders could work together to address this issue, funding common strategies or coordinating varied strategies for improved effectiveness.

As philanthropy searches for new ways to maximize the impact of its investments and help Arizona confront its many challenges, more funders are likely to consider investing in public policy strategies. Arizona's philanthropic sector is young but growing – both in terms of the size of its investments and also in terms of the role that it plays in public life in our state. Increased investment in public policy is not only likely – it is critical if Arizona funders are to move the dial on many of the issues our state faces.



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