

## Why Are Foundations Often Absent From Major Policy Shifts?

C. Eugene Steuerle

### Abstract

In this posting for the New York Regional Association of Foundations (NYRAG). Gene Steuerle speculates on why foundations have often been absent from such major policy turns as major tax reform, some EITC increases, large budget changes that indirectly squeezed programs of interest to the foundations, and the recent upswing and then downturn in housing ownership by moderate-income households. He then discusses possible causes: project-oriented funding rather than more lasting support, fear of a perception of lobbying, silos, misapplication of performance measurement, inability to deal with complex issues, lack of trust in grantees, and the tendency to fight yesterday's battles.

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### Commentary

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*By Eugene Steuerle*

Over many years, I have been involved—through government, think tanks, and foundations—in numerous major policy turns in society, only to often find absent those foundations which are very interested in public policy. I don't have an empirically valid statistical way to prove that statement; I can only provide anecdotal and admittedly personal evidence. Still, many of my colleagues in public policy and foundations agree with this claim.

Rather than debate the extent to which my assertion is true—as the saying goes, all generalizations, including this one, are false—I hope that this serves as an invitation to discuss how foundations can become better engaged in future major public policy shifts, whatever their past level of success. But first, a bit of the anecdotal evidence.

As economic coordinator and original organizer of the Treasury effort in 1984 that led to the Tax Reform Act of 1986, I was able to put on the table expansion of the earned income credit (it was not in major Congressional bills and hadn't been indexed for inflation for many years) and removal of the poor from income taxation. Most foundation funding on low-income issues, however, remained centered on Aid to Families With Dependent Children, then and for years to come, long after it had become a minor and declining part of the social welfare infrastructure.

A recent Social Security debate largely went back and forth between those focused on taking money out of existing Social Security taxes to pay for "individual accounts" and those who wanted to maintain the current system, whatever it was. Other (often more important) debates waned, such as how to better the status of low- and moderate-income households, both in a more sustainable Social Security system and through a private pension system with better coverage.

Several foundations have taken on asset development as a field, but then were largely absent from the regulatory changes affecting homeownership that have led, first, to the largest increase and, second, to the largest decline in asset ownership among moderate-income households in recent decades. Meanwhile, the public view of ownership issues has switched from a simplistic mantra that low-income families should own homes to one that they should not.

Advocates for children have often fought and won battles for certain narrow expansions of particular programs even while they've been absent from a bigger issue—the ever-declining share of the budget going to children. Or they've been happy to receive \$100 million from a trillion-dollar package that threatened the long-term funding of these programs.

Finally, we've known for some time that trillion-dollar-plus fiscal decisions are inevitably going to be made to restore economic sustainability. Who's at the table helping us figure out how to make these decisions well? OK, I realize that there are exceptions, sometimes significant, to these claims. But I would still wager that if one realistically looked at the dollars spent by foundations on public policy issues, the vast majority would be directed at small, project-oriented tasks that bypass the larger and more fundamental issues that are driving the overall direction of policy.

If there is at least some truth to my statements, what would you suggest as the reasons? Here are among the answers I have gleaned from many colleagues both in foundations and in the policy community.

**Project-Oriented Funding.** Funding (with the major exception of the efforts of a few self-proclaimed “conservative” foundations a few decades ago to change the public agenda) largely focuses on projects. Less emphasis is placed on the lasting or institutional support which is necessary to deal with a long-term agenda and develop—not just capture temporarily—human resources and talent to address that agenda.

**Fear of Perception of Lobbying.** This may deter foundations from last-minute activity around a hot legislative issue, but debates over most major policy issues—from welfare to taxes to social security to health reform—can be anticipated in all but their timing. Perhaps this constraint applies particularly to project funding, which appears untimely if it doesn’t follow the news cycle and lobby-like if it does.

**Silos.** A foundation officer working on, say, childhood development or youth gangs may care a lot about the federal or state children’s budget, but it’s not an effort that can be supported within a particular silo.

**Misapplication of Performance Measurement.** Performance measurement has had many incarnations, but mistaken use of this standard emphasizes only what can be narrowly measured. One can determine that a parameter has been put into a bill, but not so easily how forty provisions together bring balance to, say, health reform, or how changing the intellectual debate can lead to a reformulation of policy initiatives.

**Inability to Deal with Complex Issues and Solutions.** The debate over housing lending, as one example, requires a complex understanding of regulatory policy, something not easily explained through a foundation chain from officer to president to board.

**Trust.** In scientific research (say, on cancer), a foundation may find it easier to recognize that its funded researcher will know more than any of its officers, and therefore, at some level, has to be trusted with project decisions. In social science and policy, one colleague (in an unrelated field) once told me that foundations often feel that they already have the answers, and that their job is to fund projects that back them up and get “stupid” legislators to act.

**Fighting Yesterday’s Battles.** All of us have this tendency, since yesterday’s issues are the ones we know best. When funding has to go through several layers for approval, entrepreneurial thinking is difficult, no matter how good the idea.

If these descriptions are correct, they imply that foundations interested in public policy need to fund for the long-term, organize in leaner fashion to avoid silos, know what performance measurement can and cannot do, embrace complexity, put trust in their grantees to develop agendas, and constantly assess whether they are spending where future action is likely.

I know I oversimplify. If I nonetheless stir you to engage the discussion and, most importantly, add to and subtract from my list and its implications for foundation organization, then I will still count this note as a success.

*Among other positions, Eugene Steuerle has served as Vice President of the [Peter G. Peterson Foundation](#); Senior Fellow and Co-Founder of several centers at the [Urban Institute](#), including the [Tax Policy Center](#) and the [Center on Nonprofits and Philanthropy](#); Deputy Assistant Secretary of the U.S. Treasury for Tax Analysis; Economic Coordinator of the Treasury study that led to the Tax Reform Act of 1986; and Chair of the Social Security Technical Panel. His publications include 15 books and more than 1,000 articles, columns, and testimonies. Mr. Steuerle’s recent books include [Nonprofits and Business](#) (edited with Joseph Cordes) and [Nonprofits and Government](#), 2nd edition (edited with Elizabeth Boris), both with the [Urban Institute Press](#).*

#### **Response:**

1 Aaron Dorfman August 31, 2009 at 10:50 am

Thanks so much for this great posting, Eugene. You raise some very important issues and I think your analysis is basically on point.

NCRP has been working to encourage greater investment by foundations in advocacy, community organizing, and civic engagement. In our work, the obstacles you mention have all definitely come to our attention.

I’m delighted that I’ll be in New York in October to discuss this topic more thoroughly with members and friends of Philanthropy New York. The event info is here:

[http://www.philanthropynewyork.org/s\\_nyrag/doc\\_event.asp?CID=117&DID=28356](http://www.philanthropynewyork.org/s_nyrag/doc_event.asp?CID=117&DID=28356)

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