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Axis of Ideology

Conservative Foundations and Public Policy

Executive Summary

By Jeff Krehely, Meaghan House and Emily Kernan

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Axis of Ideology: Conservative Foundations and Public Policy

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Executive Summary

In 1997, NCRP produced *Moving a Public Policy Agenda: The Strategic Philanthropy of Conservative Foundations*, which documented the grantmaking activities and strategies of 12 of the nation's largest and most visible conservative foundations.¹ In particular, the study examined grants made to public policy nonprofits from 1992 through 1994, and also profiled the major grant recipients, reviewing their history, leadership, strategies and policy achievements. It was the first major attempt to document the impact that these philanthropic institutions had on politics and society. In addition to analyzing the grants these foundations made, the report also reviewed materials directly from these foundations and their grantees, as well as relevant media reports and literature reviews.

The 1997 study concluded that conservative foundations and their grantees had achieved a respectable and enviable level of effectiveness because of seven factors:

- The foundations bring a clarity of vision and strong political intention to their grantmaking programs;
- Conservative grantmaking has focused on building strong institutions by providing general operating support, rather than project-specific grants;
- The foundations realized that the state, local, and neighborhood policy environments could not be ignored in favor of focusing solely on the federal level;
- The foundations invested in institutions and projects geared toward the marketing of conservative policy ideas;
- The foundations supported the development of conservative public intellectuals and policy leaders;
- The foundations supported a wide range of policy institutions, recognizing that a variety of strategies and approaches is needed to advance a policy agenda; and
- The foundations funded their grantees for the long term, in some cases for two decades or more.

Moving a Public Policy Agenda was well received in the philanthropic community as well as in more mainstream publications and venues. The research was presented in a number of forums, including the annual meeting of Council on Foundations, and was featured in media outlets such as *The Nation*, National Public Radio's "Morning Edition," and *The Washington Post*, to name a few. Due to the success of the 1997 report, NCRP followed up the study in 1999 with *\$1 Billion for*

Ideas: Conservative Think Tanks in the 1990s. This report provided an in-depth analysis of the top 20 conservative think tanks in existence at the time. It assessed their operations, areas of policy interest, marketing and communications strategies, governance structure and types of financial support, including foundations, corporations and individuals. Both of these publications had a significant impact on the philanthropic community and continue to be influential today. NCRP has often received inquiries from the press, researchers, and nonprofit organizations about updating this research.

From a political perspective, NCRP's earlier work on conservative philanthropy was relevant and well timed. The data analyzed in the first report reflected grantmaking activity in the years immediately preceding the Republican takeover of Congress in the 1994 elections. The second report came out as the Democratic and Republican parties were gearing up for what would prove to be the most contentious presidential election in U.S. history. The information that conservative public policy institutions—thanks in large part to funding from conservative foundations—were providing to candidates for public office had a substantial impact on the issues that were debated during election years in the mid-to late 1990s.

Since the 2000 elections, conservative lawmakers have expanded their power, controlling essentially all three branches of the federal government. According to William Greider, George W. Bush represents the third and most powerful wave in the right's attack on liberalism. The first wave of the attack came from Ronald Reagan, who organized the right around many ideological slogans for reform and proved the viability of regressive tax cuts. Newt Gingrich represented the second wave and gave Republicans control of Congress for the first time in two generations. This imbalance of power

has allowed President George W. Bush to govern without having to compromise his domestic or foreign agendas.² Widespread Republican control of state governorships and legislatures provides the right with more opportunities to implement and solidify its agenda. With the strong presence of the right behind him, President Bush is a far more formidable challenger to Democrats than any of his predecessors.

Of concern to many in the nonprofit sector—both on the left and the right—Bush promotes using faith-based organizations as a solution to myriad social problems and has fought for government grants to be opened to religious organizations through the Charity, Aid, Recovery and Empowerment (CARE) Act. As part of this general plan, he has created the White House Office of Faith-Based and Community Initiatives, as well as faith-based liaison offices in the Departments of Health and Human Services, Housing and Urban Development, Justice, Education, and Labor. Bush has also worked to permanently repeal the estate tax by 2009, which would be devastating to the public interest, since the tax generates \$45 billion in revenue for public and charitable needs, and its repeal would only benefit the few wealthiest Americans. Bush has also proposed other legislation that would further shrink the tax base while fattening the pockets of the already wealthy, such as the proposed elimination of taxes on stock dividends and the establishment of tax-sheltered personal savings accounts. While these further attempts to eliminate the taxation of capital have failed, the groundwork has been set for future attempts.

The terrorist attacks of September 11, 2001 provided conservatives with even more opportunities to expand their power, pushing the Patriot Act through Congress in the days following the attacks, as well as orchestrating and launching military invasions of Afghanistan and Iraq, all in the name of national security. Similarly, the economic downturn—which began before September 11—has provided the Bush administration and its congressional allies with many opportunities to drastically reduce taxes and slash spending for social services, all in the name of economic security. But as chaos and bloodshed persist in Afghanistan and Iraq and the economy continues to sag at home, public opinion of President Bush and the Republican Party is shifting from glowing to glowering.

Regardless of presidential approval ratings and the outcomes of the 2004 elections, it is undeniable that conservative public policy institutions and their philanthropic supporters have had a tremendous impact on Congress's and the administration's

pendant for waging war, curtailing civil liberties, and slashing taxes and social spending. It is critical, then, to revisit NCRP's past work on conservative philanthropy, expanding the number of foundations that were originally studied, as well as consider the influence of other sources of private capital that have brought the United States to its current state of record budget deficits at home and imperialistic militarism abroad.

This report represents a step forward in advancing knowledge of conservative philanthropy, and to some extent the overall conservative agenda, and we hope that future projects will allow for even more progress in understanding this incredibly influential and effective subsector of American philanthropy.

SAMPLE AND ANALYSIS

The research for this report began by finding the most recent IRS 990-PF forms of the foundations studied in NCRP's first report.³ Using their grants list, Web searches were conducted on the conservative public policy grantees funded in an attempt to uncover their other major funders by looking at their board members and organizational affiliations, such as coalition memberships.⁴ LexisNexis searches were also used for this purpose. Other foundations were discovered through examining the Philanthropy Roundtable's Web site (www.philanthropyroundtable.org), which is a national association representing individuals, corporations and foundations that have an interest in funding projects and programs with a libertarian or "traditional" values perspective.

After searching the Internet and press clippings, a database was established containing 79 grantmaking institutions. This database includes key financial variables from 1999, 2000 and 2001 IRS Form 990-PF filings.⁵ A database was then created of the 331 public policy-oriented nonprofit organizations that received funding from the identified foundations. A third database was also created of the 4,812 public policy-related grants made by the 77 grantmaking organizations to the 350 nonprofit organizations, which were then coded for the issue area that the grant covered and the type of grant awarded.⁶ The total amount of conservative public policy grants made from 1999-2001 was \$254 million.

In particular, 13 different issue areas were established, based on reviewing information about the grant provided on foundation IRS 990-PFs as well as on recipient organizations' Websites. These issue areas include the following broad categories:

- General policy (Including Think Tanks)

- Education
- Legal
- University scholarship and research
- Social
- Business
- Religious
- Military/defense
- Media
- Nonprofit infrastructure
- Civil rights
- Environment
- Other

Within many of these categories, the classification was further broken down into an even more specific category. However, this was not always possible to do, due to the lack of information available for many grants.

To categorize the type of grant awarded, five categories were developed, and the grants were then placed into one of them, when enough information was provided (due to inconsistencies in reporting, not all foundations report their grants list in the same way). These categories include:

- **Operating support**—unrestricted support to be used for day-to-day expenses such as rent, salaries or utilities, or research and advocacy of the organization's choosing.
- **Program support**—restricted support to be used only to support a specific program or initiative.
- **Operating and program support**
- **Endowment**—Support that is to be used to build a source of income for a foundation where the principal must remain intact.
- **N/A.**

Finally, a fourth database was created that contained the names of key staff and board members of both conservative foundations and grantee organizations. Then a search was conducted for names that were listed repeatedly, indicating that these individuals operated in a network between grantor and grantee, raising the probability of some type of formal coordination or collaboration among the conservative cadre in the nonprofit sector.

In addition to the data that was collected, confidential telephone interviews with officials from five conservative foundations were conducted. Interviews were requested with 20 foundations, but most declined our request. The individuals who were interviewed, however, were very willing to share their experiences and insights. The questions asked related to staff and board structures and functions, the grantmaking process, payout rates and perpetuity,

evaluation, donor intent, and the broader conservative agenda. The data collected from these interviews helped to draw more relevant and realistic conclusions about the nature and extent of conservative philanthropy.

Press reports and past research showed that many of the leaders of conservative foundations had close ties with the Republican Party. Therefore, an estimate of the amount of money these individuals made to Republican political action committees (PACs) and individual candidates was made. Although the money provided to these committees and candidates was not being channeled through a foundation—doing so would violate election laws and IRS tax law—this information was useful in providing a more complete picture of how the conservative community advanced its agenda.

This report, while trying to cover the broad spectrum of conservative philanthropy, does not present the complete picture of the political right's financial base and political strategies. For example, even though anecdotal evidence suggests that many for-profit companies are supporters of conservative causes, corporate support of right-wing policy organizations is not included in this report because disclosure requirements for corporate grantmaking are essentially nonexistent. Also, this report includes only grants to organizations specifically working to shape public policy, and therefore grants to conservative service providers were not included, even though these programs add to the conservative power base. It was also decided not to include grants to religious organizations because while these organizations may be rooted in traditionally conservative views, it was not clear if these funds were going to support conservative policymaking. Government support provided to conservative organizations is also not included in this report, although many of the organizations that provide some type of social services and do advocacy are probably receiving government funds. Finally, giving by individuals to conservative policy nonprofits is also not included in this research, since nonprofits do not have to disclose this information.

Undoubtedly, conservative values, goals, ideas and ideals have become the norm in United States politics. It would be difficult to argue that the political right is not winning in this country, as it dominates at all levels and branches of government. The many foundations and nonprofit organizations analyzed in this report have undoubtedly helped advance, market and strengthen the conservative agenda in all policy realms, including international affairs, defense, social policy, tax policy, education and civil rights.

Through expanded research, which included foundation and nonprofit organization data collection and analyses, first-hand interviews, literature and media reviews, and a Federal Election Commission data analysis, this report has both verified and advanced the findings of previous research on the strategies and successes of conservative philanthropy, including the following:

- **Flexible Funds**—Conservative foundations are more likely to provide their grantees with general operating funds, allowing them to use the money as they see fit, often not requiring arduous evaluations of how the funds have been used. This flexibility allows organizations to respond in a timely manner to current issues and events allowing the organizations to remain at the forefront of the policy process without having to wait months for a program-specific grant.
- **Long-term Funds**—Conservative foundations are more likely to create new organizations and fund them for the long-haul, sometimes for decades, not just years, allowing the organizations to focus on their program work, rather than having to worry about where next year's (or month's) budget will come from.
- **Focus**—Related to long-term funding, conservative foundations generally concentrate on funding a small group of grantees including individuals, that are all working toward a common goal. Sustaining existing grantees—not trying to find new ones—is their primary goal.
- **Public Policy Process Expertise**—Conservative foundations and their grantees understand that policymaking is not just one activity that happens in Washington, D.C. or even state capitals. Investing in organizations that help set the policy agenda, inform and mobilize the public, lobby lawmakers, broadcast conservative ideas, challenge existing regulations and laws in

the courts, and monitor policy implementation is a priority for conservative funders, as is making sure that this full spectrum of activity is happening in cities, counties, and states, as well as in Washington, DC.

- **Alignment**—Remarkably, there is considerable organic alignment and cohesion on the right. Based on interview findings, conservative funders and nonprofits are all naturally committed to the broader goals of the political right; deliberate coordination is not necessary. Many foundation board members come from the business sector and therefore naturally support the free-market and minimal government and regulations that grantees are working for. Not surprisingly, then, there is generally agreement about priorities and goals among foundation board and staff members; grantee board and staff members; and foundations and grantees.

This report provides insight into the foundations and nonprofit organizations that have played a critical role in helping the Republican Party to dominate state, local, and national politics. The success of these organizations is not something that NCRP or its members would necessarily celebrate. But the manner in which foundations on the right support, fund, and relate to their grantees is certainly to be admired. With resources that pale in comparison to centrist and liberal foundations, conservative funders have supported public policies that now impact the entire nation. Perhaps that is why foundations on the right tend to spend very little on evaluation—they can easily see their impact in the newspaper, on TV, in America's classrooms and in the courts. And perhaps it is also why centrist and liberal foundations have to spend millions of dollars and work with multiple consultants to determine their impact.

¹ The foundations included The Lynde and Harry Bradley Foundation, the Carthage Foundation, the Earhart Foundation, the Charles G. Koch, David H. Koch and Claude R. Lambe charitable foundations, the Phillip M. McKenna Foundation, the J. M. Foundation, the John M. Olin Foundation, the Henry Salvatori Foundation, the Sarah Scaife Foundation, and the Smith Richardson Foundation.

² Greider, William. "The Right's G and Ambition: Rolling Back the 20th Century." *The Nation*. May 12, 2003.

³ Each year, private foundations are required to report financial data to the IRS, using the Form 990-PF. The Henry Salvatori Foundation from the original report is no longer in existence.

⁴ Charitable nonprofit organizations are not required to disclose to the public the specific foundations, corporations, or individuals providing financial support. They are, however, required to submit a Form 990 to the IRS annually, which provides other financial data.

⁵ For this project, we collected IRS Form 990-PFs for 1999, 2000, and 2001, as most 2002 forms were not available when the research began. Most of these were obtained from www.guidestar.org. In cases where forms were missing from Guidestar, we wrote to each foundation and requested the year(s) needed.

⁶ Two of the 79 foundations originally identified are operating foundations, which only made grants to support their own in-house programs.

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