



## **Public-Philanthropic Partnerships: Trends, Innovations, and Challenges**

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### **Executive Summary**

This report maps out some of the most pressing issues in the development of domestic public-philanthropic partnerships (PPPs). It draws on an extensive survey of the literature and incorporates interviews with more than 25 foundation and government leaders and other stakeholders.

PPPs have become increasingly prominent in recent years for two main reasons: the current economic crisis and the Obama Administration's emphasis on social entrepreneurship. Both factors have led to innovations in these partnerships, as well as new challenges and concerns. Important new questions have also been raised about how PPPs will develop in the years ahead.

The recession and the budget austerity it encouraged introduced some strains into the relationship between government and philanthropy, as government officials turned to private funders to offset cuts to programs. Foundations confronted the question of whether supporting these programs would sanction a permanent offloading of governmental responsibilities onto philanthropy. In a time of shrinking government budgets, foundations did much to bolster public capacity in cities overwhelmed by the scale of needs. But foundations also grappled with the resentment that this assistance at times engendered in some public officials concerned about protecting their own authority. (Detroit and New Orleans are the most prominent examples of this balancing act.)

The report links such challenges to foundation prerogatives to the broader critiques of large national foundations' influence on public policy, especially in the education realm, and questions whether foundations might have to embrace a higher degree of transparency and accountability in response.

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The recession also encouraged a considerable degree of innovation among foundations, including an increased focus on economic development, novel collaborations involving a broad array of stakeholders in a community, and the spread of liaisons and government offices devoted to promoting PPPs. Foundations provided important services to help localities gain access to federal stimulus funds, though it is not entirely clear how such partnerships will evolve as stimulus funding ceases. The partnerships also emphasized to foundations the importance of extending assistance to state and local government agencies and nonprofits beyond the receipt of federal stimulus grants into the implementation stage.

The Obama Administration's efforts to encourage social entrepreneurship and to bring innovative community-based programs to scale led to the establishment of several high-profile PPPs, such as the Social Innovation Fund and the Department of Education's Investing in Innovation (i3) fund. These partnerships introduced some novel roles for philanthropy, including one as an intermediate grantee. They also forced foundations to confront how such partnerships affect philanthropy's commitment to the values of foundation independence and nonpartisanship. The report examines these values in some detail, demonstrating the ways foundations have preserved their claims to independence and nonpartisanship when partnering with government. It also raises questions about the inherent ideological orientation of PPPs, especially those on the federal level, considering the strong conservative critique of such partnerships.

The report next considers the ambivalence with which many foundation leaders regard federal-level PPPs. These "mixed feelings" extend beyond a recognition that PPPs in general carry the risk for potential discord between the partners, based on divergent operating cultures. In particular, the report underscores a sense among many foundation leaders that the frustrations generated in partnerships with the current administration have become particularly intense. These frustrations stem from two charges. The first, leveled mainly by nonparticipants, suggests that the administration favors large, urban foundations to the disadvantage of small, rural ones, which cannot bear the significant regulatory and administrative burdens the partnerships entail. The second charge asserts that the regulations and funding guidelines associated with the federal partnerships are excessively onerous.

The report concludes by suggesting what might be done to remedy some of these frustrations: help small foundations enter into federal partnerships, encourage behind-the-scenes efforts to lighten some of the regulations imposed on foundations that seek to partner with the government, and educate high-level foundation and government officials about how each other works.

# Public-Philanthropic Partnerships: Trends, Innovations, and Challenges

## Introduction

This report maps out some of the most pressing issues in the development of domestic public-philanthropic partnerships (PPPs). It draws on an extensive survey of the literature on PPPs and interviews with more than 25 foundation and government leaders and other stakeholders.<sup>1</sup> It does not offer a catalogue of best practices for the field (for this, we would direct the reader to a 2010 report from GrantCraft, “Working With Government: Guidance for Grantmakers”). Rather, it examines PPPs from a slightly higher altitude, surveying the broader landscape and addressing the emerging trends, the most promising innovations, and the greatest challenges in the field. We believe such a perspective will help spark productive discussions within the Council on Foundations’ Public Philanthropic Partnership Initiative Advisory Committee.

That sector-wide discussion is bounded by two key considerations. The first is the wide variety of experiences of foundations that have engaged in public-philanthropic partnerships. This variety stems from the expansiveness of the partnership label itself—encompassing loosely coordinated initiatives and highly structured collaborations—as well as from institutional, regional, and jurisdictional differences. Yet against the recognition of these divergences a claim of commonality should also be staked. Foundations of any sort can offer a government partner a similar range of benefits: independence, neutral expertise, flexibility, and the ability to take risks and experiment. Foundations share similar frustrations in partnering with government. They are vulnerable to rapidly shifting political exigencies, for instance, and they need to manage government regulations and bureaucracy. And so all foundations that engage in public-philanthropic partnerships must develop a similar range of countervailing qualities: vigilance, patience, persistence, and a clear sense of purpose. A productive discussion on the topic of PPPs must recognize the different experiences of the participants and make the most of those varied perspectives in order to cultivate the significant common ground between them.

## The Economic Crisis and the Recent Emphasis on PPPs

Although foundations have been partnering productively with government for decades, public-philanthropic partnerships have gained particular prominence in the last few years. Two recent developments help explain this increased focus. The first is the emphasis that President Obama placed, early in his term, on collaborating with foundations and other nonprofit organizations in promoting “social entrepreneurship.” The second is that the recession forced governments to make the most of scarce resources, and thus made partnering with the private sector especially attractive. Various federal stimulus remedies also encouraged collaboration. Perhaps just as important, the

immediate and intense pressures directed towards government heightened the importance of foundations' ability to take long-term views.

Of course, the economic crisis did lead some government officials to turn to foundations to offset budget cuts, with some legislators announcing, as if by fiat, that foundations would automatically step in to support programs whose funding had been slashed. When one head of a regional association of grantmakers met with the newly elected speaker of a state house of representatives, he was told that the legislators planned to slash funding for social programs and offload the responsibility onto the association's grantmakers. Such plans reflected a gross, and frustrating, overestimation of philanthropy's financial resources and a lack of appreciation for philanthropy's independence and different perspective. At times, the pressure was more subtle; one foundation executive reports that after Congress dramatically cut the funding for one partnership promoted by the White House, foundation leaders still detected an assumption among lawmakers

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that foundations should compensate by increasing their financial commitments. More generally, the economic crisis and attendant budget cuts confronted foundations with a difficult decision: whether to fund important programs for which the state cut funding at the risk of sanctioning a permanent shift of responsibility to the private sector and a loss of autonomy.

Yet for all the challenges the recession has brought, it also has produced a climate of urgency and creativity that has sparked innovative models of collaboration. Foundations, for instance, have played a vital role as "backbone organizations" that support the "collective impact" initiatives that have sprouted up throughout the nation. In such efforts, various community

stakeholders collectively address a specific social problem, with a centralized infrastructure, a dedicated staff, a common agenda, and shared measurement techniques. (The Strive initiative in Cincinnati, in which more than 300 community leaders have coordinated efforts to improve the region's public schools, is the most prominent among these).<sup>2</sup>

The recession also intensified a focus that had been building among many foundations over the last decade on economic development and encouraged some funders who had never before considered the issue to take it on. As the president of one regional association acknowledged, the foundations in the region had not placed an especially high priority on economic development, but philanthropic leaders soon realized "that if we didn't think about it all the other things we *were* thinking about were highly at risk." To cite two prominent examples, Ohio grantmakers in 2004 created the Fund for Our Economic Future to advance northeast Ohio's economic competitiveness. The funders were able to consider the region as a whole more effectively than local governments

and, in fact, pushed city governments to collaborate with one another. And in 2007, a number of national foundations, as well as a group of nonprofit and business organizations, joined the U.S. Department of Labor to launch the National Fund for Workforce Solutions, which supported local workforce development collaboratives (often including community funders and local government) in more than two dozen cities across the country. Governments and foundations also have collaborated in developing and promoting innovative funding mechanisms, such as prizes (such as the one designed and promoted by the Joyce Foundation, with the Aspen Institute and the departments of Education and Labor, for community college excellence) and social impact bonds.<sup>3</sup>

## **The Spread of Foundation Liaison Offices in Government**

Yet another significant development has been the spread of intergovernmental offices or liaisons dedicated to identifying and fostering public-philanthropic partnerships. The first of these, Michigan's Office of Foundation Liaison (OFL), was established in 2003 with funding from the Council of Michigan Foundations (CMF), with the state supplying office space and related resources. The liaison helps educate state officials about foundations, matches grantmakers with government officials and supports the development of partnerships between them, and attracts national grant dollars to the state. The liaison also has mediated conflicts between the sectors. Foundation leaders in Michigan have generally praised the OFL's effectiveness, and the model has sparked the interest of many states and localities throughout the nation. A 2010 study identified 18 examples in which local or state governments employed a designated office or liaison in an effort to foster public-private partnerships. These offices developed most robustly in cities and in a sign of their increased popularity, in June 2012 the United States Conference of Mayors issued a formal endorsement of them.<sup>4</sup>

The model might not be appropriate in localities or states with a relatively small and closely-knit foundation community that enjoys easy access to political leaders. In fact, some have raised the prospect that the liaison might serve as a "gatekeeper," restricting as much as facilitating access to government officials. The president of a Michigan foundation insisted that the liaison provided a valuable service, as long as the president's access to the governor remained unimpeded. An executive of a medium-sized foundation raised another point in a 2010 GrantCraft report, suggesting that there actually was a value in the messy give-and-take between foundation and government officials. A liaison threatened to "homogenize the ask" and provided foundations with a "crutch" they did not need. Given the attention that the liaison and office models have generated, it is worth considering how the landscape for grantmakers would change if that model continued to spread and whether the Council on Foundations should encourage it.<sup>5</sup>

From its inception, the OFL presented itself as a nonpartisan body, "in" but not "of" Michigan's executive office. The fact that its funding derived from CMF bolstered the office's nonpartisan credentials, as did the prohibition in its guidelines against the foundation liaison participating in political events with the governor or the governor's staff in the run-up to a gubernatorial election. Yet the change in administration in Michigan, in which a Republican replaced

the Democratic governor who had established the office, tested the liaison's nonpartisanship. The OFL generated considerable suspicion among the new governor's staff, and there was initial speculation that he would disband it. However, in the past year, with the liaison working to identify some areas of common ground between Michigan's foundations and the governor (and through gentle pressure from CMF and family foundations close to the governor), he has signaled his intent to maintain it, though its fate is by no means secure. An office established in New Mexico modeled on Michigan's OFL has faced even greater uncertainty after a similar change in administrations. Whether such offices can preserve their nonpartisan status in our age of hyper-partisanship is an important question to follow in the coming years. It can shed light on the broader question of whether PPPs can actually reduce partisanship or only stoke it.<sup>6</sup>

Federal agencies have also institutionalized the PPP model. Two years ago, the Department of Housing and Urban Development (HUD) restructured an established office to create a new Office for International and Philanthropic Innovation. The Department of Education recently created the position of the director of strategic partnerships. The Federal Emergency Management Administration and the Department of Agriculture now have designated officials to oversee philanthropic partnerships as well. These officials variously describe the service they provide using

comparisons to matchmakers, concierges, and translators; they help connect grantmakers to agency projects and to agency staff and facilitate that relationship.

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One of the HUD office's most innovative offerings is a website that allows foundation officials to access promising runners-up in agency grant competitions that they might consider funding. The information has flowed in the other direction as well. As one official at a federal agency who oversees partnerships explains, the office's aim was "to bake into the fabric of the agency's thinking the private sector's point of view." Yet it is also important to note that unlike Michigan's OFL model, where the liaison

represented both the foundation community and state government, these officials are more firmly implanted within government agencies. One official within an agency liaison office hinted at the primacy of this identity when she explained that one of the office's key responsibilities was to identify areas in which the government needed assistance and then to alert foundations to the need. She conceded that such a directive at times provoked some pushback from foundation officials, who did not like being dictated to. Several interviewees insisted that the agency liaison had proved extremely useful in providing a central node for the partnership relation, yet it is worth considering further how the presence of such a centralizing agent will change the PPP dynamic in the future.

It is also worth mentioning another related development, a complement to these liaison offices: Many foundations have designated in-house staff members to coordinate a broader strategy in developing effective partnerships, as opposed to assigning individual program officers to handle each collaboration. This development signals the establishment of an infrastructure within the government and foundations alike that will continue to promote PPPs in the future.

### **PPPs and the Federal Stimulus**

The federal government's response to the recession, and specifically, its effort to deliver stimulus funds through state and local governments, also did much to encourage the development of PPPs. When asked to cite a public-philanthropic partnership that they believed to be particularly effective, many of those interviewed mentioned foundation efforts to assist localities in accessing and implementing federal stimulus funding. As one foundation president declared, "Philanthropy played an unusually nimble role in responding to the availability of federal dollars." Foundations provided logistical support for cities and states to apply for the funding, alerted government officials to specific programs, provided assistance in grant writing, helped identify nonprofits that could absorb the rapid infusion of funds, evaluated program effectiveness, and helped coordinate the flow of funding within a community. (For specific examples, see the companion report, "Domestic Public-Philanthropic Partnerships: A Political and Historical Review.") These stimulus funds, though badly needed, posed significant challenges to potential recipients. The federal government imposed tight application deadlines; the grants were governed by murky and often hastily constructed statutory guidelines; and they contained sunset provisions so that nonprofit recipients, many of whom had recently scaled down for lack of funds in the early days of the recession, faced the whiplash of a rapid infusion followed by an abrupt termination of funds. One of the more valuable services foundations provided was to help nonprofit grantees plan for that sunset, so they did not find themselves "running off a cliff," as one foundation executive explained.

Such assistance raises the question of whether the relationships and institutions developed to manage the federal stimulus funds will endure now that the stimulus programs have largely ended and how they might be transformed in a period of recovery. The success of many of these efforts also underscores a point several interviewees emphasized: Foundations had to resist the temptation to regard their work as completed once they had secured federal funding for a particular nonprofit or program. As difficult as the application process was for many of the federal grants around which PPPs revolved, the challenges of assisting with the implementation of those grants were even more pressing. Foundations at times struggled to determine "what their role should be beyond grantmaking," acknowledged the head of one affinity group. It was at the implementation stage, several interviewees explained, where much of the most promising work for future PPPs lay.

### **Capacity Building and the Democratic Challenge of PPPs: The Cases of Detroit and New Orleans**

The enormous pressures the recession placed on state and local governments led many foundations to direct PPPs toward expanding the administrative capacity of their public partners. To cite just one example, the Rockefeller Foundation and Bloomberg Philanthropies extended Cities of Service Leadership Grants to more than 20 cities. These grants enabled the cities to hire chief service officers to engage and coordinate volunteers. Such a commitment to public capacity building addresses one of the most acute challenges foundation leaders face in developing public-philanthropic partnerships: how to balance a sense of humility and a recognition that there is a virtue in democratically elected leaders taking agency in devising policy for themselves, on the one hand, with the firm conviction that it is sometimes necessary to force public officials to accept their own limitations.

This challenge was posed most starkly in the work done by foundations in two cities with weakened civic institutions that have struggled to deal with disasters of different sorts over the last

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decade: Detroit, devastated by deindustrialization, and New Orleans, ravaged by Hurricane Katrina. (For more details on specific PPPs in each city, see the companion report.) In each city, tensions flared when foundations took an active role in planning and implementing rebuilding and redevelopment efforts, with city officials complaining that foundations were overstepping their bounds. A deliberate, public focus on bolstering the capacity of local government and on empowering citizens is perhaps one way of relieving some of these tensions. In New Orleans, for instance, the Rockefeller Foundation and the Greater New Orleans Foundation organized a Community Congress that solicited the opinions of the city's residents, as well as many of those who had been displaced by the hurricane, on the city's

redevelopment plan. Yet it is still a delicate transaction—in Detroit, city officials resented the responsibility given to a Harvard urban planner that a foundation recruited to assist with redevelopment. Determining the best strategies of managing PPPs saddled with such resentments might prove a fruitful topic of discussion.<sup>7</sup>

This is an especially pressing issue now that increased scrutiny is being cast on the ways large foundations seek to shape public policy—especially in the educational realm, where a number of “megafoundations” wield what some consider outsized influence. A point of view is gaining prominence that emphasizes the antidemocratic nature of this effort, lamenting the “capture” of policy by a “Billionaire Boys’ Club,” to quote the title of a chapter of one recent book on the subject. Public-philanthropic partnerships have the capacity both to stoke these fears and to mollify them. PPPs, especially those in which foundations help develop or evaluate policy, can be considered more evidence of private philanthropy’s efforts to control public policy. But such

partnerships can also demonstrate foundations' dedication to expanding public authority and to enhancing democratically controlled institutions. To do so, foundations might have to embrace a level of transparency and accountability to the public that they might not have been comfortable with in programs they operated independently.<sup>8</sup>

## **The Obama Administration and Innovative PPPs**

The Obama Administration has encouraged PPPs not merely through its stimulus efforts but through specific White House initiatives that have defined a place for philanthropy in encouraging social entrepreneurship, in bringing innovative community-based programs to scale, and in promoting rigorous program evaluation. When asked what was the most significant emerging trend among PPPs, many foundation leaders pointed to the development of such intentional partnerships with the federal government.

Among them is the Social Innovation Fund (SIF), in which the White House awards funds to a handful of intermediary grantmakers that match the funds and then regrant them to nonprofits for projects to improve “measurable outcomes” in the fields of economic opportunity, public health, and youth development; these nonprofit subgrantees also provide a funding match. The Department of Education’s Investing in Innovation (i3) Fund set aside \$650 million in stimulus funds in an effort to take successful education practices to scale; the initiative provided a defined role for philanthropy in helping the grantees produce a 20 percent match of federal funds. The administration also sought philanthropic support for its Promise and Choice Neighborhoods initiative. Modeled on the Harlem Children’s Zone, this initiative sought to offer “cradle-to-career” services to youths and families in troubled communities throughout the country. In these initiatives and others like them, the government aggressively promoted a partnership model with foundations revolving around the co-funding of community-based programs.

The SIF model was perhaps most noteworthy, for it led foundations to assume an unfamiliar role: as an intermediate *grantee* and not just a grantor of funds. How the PPPs landscape might change if such a model expands further is an important topic to consider. Foundation leaders that participated in the initiative – which turned out to be somewhat fewer than at least some had expected – reported that it was an unsettling, even humbling experience that led them to consider the ways their own funding requirements might unduly constrain nonprofits. In fact, the “innovation” heralded in the initiative’s title was probably most clearly evident in the novel relationship established between philanthropy and government, and not in the relatively well-established programs that ultimately were funded. These programs underscored a tension between the two goals most often cited by the administration—innovation and scale—and suggested that the administration most consistently pursued the latter. There was a general sense among many observers that the federal government did not (and perhaps should not) focus much attention on identifying truly innovative, small-scale grassroots programs that could not necessarily be brought to scale. Despite a few attempts by the federal government to undertake that task, such as with the

development grants of the i3 fund program, this will very likely remain the special province of philanthropy.<sup>9</sup>

### **PPPs and the Value of Nonpartisanship**

Foundation leaders at times seemed uncomfortable in discussing the innovations inherent in the PPPs promoted by the Obama Administration. They were reluctant, for instance, to declare the moment definitively novel. Such reservations stemmed partly from a desire not to slight the partnerships developed in previous administrations. More significantly, after a wave of enthusiasm swept over many foundation leaders in the wake of Obama's election, during which the candidate made clear his desire to work closely with the philanthropic community, some began to tone down their pronouncements on the promise of federal PPPs, as if celebrating partnerships too extravagantly would cement a dangerously close tie between foundations and the administration.

There seem to be two reasons for this concern. The first was an attempt to preserve the nonpartisan identity many foundations carefully cultivate. Some foundation leaders interviewed bristled at the suggestion that this political moment represented an exceptionally favorable one for the cultivation of PPPs, pointing out that they had also partnered with the Bush Administration. Yet at times, it is not entirely clear if foundations defend nonpartisanship as a value in its own right or as a strategically deployed defensive measure. Many pointed out that entering into a partnership with the Obama Administration left foundations open to partisan attack by the president's critics and to potentially sour relations with a future Republican administration. By partnering with the White House, one foundation president acknowledged, they "run the risk of being targeted and 'villainized' by the conservative right." This was not an unreasonable anxiety. Writing in the *Chronicle of Philanthropy*, a conservative columnist went so far as to suggest that by participating in the SIF and demonstrating a willingness to promote the president's predetermined policy priorities, certain foundations might trigger the wrath of the newly elected Tea Party representatives in Congress, who could retaliate with an investigation of foundation privileges.

Over the years, foundation leaders have perfected the "optics," if not necessarily the reality, of nonpartisanship and bipartisanship, being careful to balance Democrats and Republicans on boards and advisory committees and refraining from issuing extravagant praise of any particular politician. Many foundations have engaged in public-philanthropic partnerships through an intermediate body—a nonprofit, regional association, or affinity group—to establish a salutary distance between themselves and government. Explaining their central role in one state partnership, the president of a regional association explained, "We were a safe place for state government, not wild advocates on any particular issue." The First Lady's campaign to reduce childhood obesity, supported by a number of foundations, was conducted through a nonprofit, the Partnership for a Healthier America. And when the White House approached the Kauffman Foundation about partnering around the promotion of entrepreneurialism, the foundation initially resisted but ultimately addressed its reservations by establishing a private organization, the Startup America

Partnership, that would work closely with, but remain entirely independent from, the White House's Startup America Initiative.

The desire to place some distance between individual foundations and government agencies through the mediation of a regional association aligns nicely with current efforts to convene a wide array of community stakeholders, including multiple foundations, business leaders, and members of both political parties, around a common policy agenda—campaigns in which affinity groups and regional associations have often taken the lead role. “There really needs to be some hub in order for foundations to reach out effectively to the state,” declared one president of a regional association. In 2005, for instance, the Ohio Grantmakers Forum began to convene community leaders around a campaign for developing a comprehensive education reform plan for the state, much of which was incorporated into a bill that the governor signed into law in 2009.<sup>10</sup>

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But it is worth asking whether it really is possible to erase all traces of partisanship, or at the very least certain ideological commitments closely allied to partisan identity, from the operation of PPPs, especially those with the federal government. Several interviewees, for instance, stressed that Democrats and Republicans hold very different basic understandings of what constitutes a public-philanthropic partnership. As one Midwestern grantmaker suggested, conservatives in her state tended to conceptualize partnerships as closely related to privatization, with philanthropy providing financial support for programs originally funded with taxpayer dollars; liberals, on the other hand, understood PPPs in terms of an active collaboration between government and foundations.

There is, in fact, something fundamentally suspect about this more robust form of partnership within certain strains of conservative ideology. Conservative critics of the Obama Administration's initiatives complain that such partnerships merely represent a means of expanding government capacity beyond the resources the democratic process has granted it. Thus, some conservatives protested the emergence of public-private partnerships originating within the Bush White House as well. There was, for instance, some opposition to Bush's faith-based initiative within the conservative community because it was seen as an expansion of federal authority. Similarly, conservative critics contend, when foundations leverage federal funds, they are not minting free money but corralling other citizens' tax dollars to promote their own private agendas. At other times, it was the progressive orientation of the agendas themselves, and not the fundamentals of a public-philanthropic partnership, that seemed to raise conservative objections. Perhaps this means

that foundations may be able to attract conservative political sponsors through areas of programmatic convergence.

The questions remain: What more can be done by foundations to court conservative allies? How much should foundations resist a possible tropism toward Democratic administrations? How far should foundations go in pursuing bipartisanship or nonpartisanship, and how might that pursuit encourage or impede the promotion of public-philanthropic partnerships in the future?

### **The Question of Philanthropic Independence**

The threat to philanthropic independence sits at the center of many critiques of public-philanthropic partnerships. This is especially true of such federal initiatives as the SIF and the i3 funds, in which the government determines a framework of priorities and criteria for receiving grants and then seeks support from philanthropy in providing matching funds or assistance in identifying nonprofit grantees. Conservatives have insisted that this dynamic represents the politicization—or, as one writer termed it, referring to the California-based solar panel manufacturer that received a \$500 million Department of Energy loan guarantee and then went bankrupt—“the Solyndra-ization” of philanthropy. This prospect was doubly problematic to conservatives. Not only do they insist that government is generally lousy at picking winners, and that federal funds would inevitably be channeled to political allies and donors, but initiatives that require a philanthropic match would also extend a corrupting reach into the philanthropic sector by diverting its capital as well.<sup>11</sup>

The question of how PPPs might affect philanthropic independence was one frequently invoked by foundation leaders, though many insisted as well that conservative attacks were overblown. As one foundation executive explained, public-philanthropic partnerships are “coalitions of the willing”; he had never encountered evidence that the existence of the immense resources at the disposal of the federal government had somehow warped a foundation’s priorities and led them to support programs they otherwise would have shunned or ignored. Yet even while puncturing the inflated charges leveled by some conservatives regarding the threats to philanthropic freedom that PPPs posed, others acknowledged the need to take the issue seriously. They cited the i3 initiative, for example, in which foundations were called on to provide matching grants for grantees selected by the agency’s peer-review process, and which did suggest a tradeoff between a foundation’s individual discretion and the opportunity to leverage their funds against governmental resources. “Letting the private partners only partner on funding of already-selected ideas does not seem like much of a partnership,” grumbled one grantmaker who participated in the program and who was quoted in a Bellwether Education Partners report.<sup>12</sup>

More frequently, foundation leaders raised concerns about a different sort of threat to foundation independence posed by PPPs: the possibility that in collaborating with the government foundations would imperil their status and identity as advocates or critics of the government. This, too, is not an unreasonable fear. Some of the most active foundations in health policy, for instance, have determined that they should not promote specific policy initiatives but rather should present

themselves as neutral sources of policy information and analysis. Few foundation leaders would admit they toned down their advocacy work for fear of insulting a government “partner,” yet the danger is perhaps more subtle, with the gravitational pull of government grants resulting in subconscious self-policing on the part of the grantmaking community. Where this danger precisely lies and what foundations can do to combat it is a topic worthy of candid, serious discussion.<sup>13</sup>

### **Confronting the Frustrations of Federal PPPs: Educational and Statutory Recourses**

These concerns point to one of the most striking features of the conversation surrounding the benefits and the pitfalls of PPPs: the “mixed feelings,” to quote one interviewee, with which many within the foundation community regard public-philanthropic partnerships. At the federal level, this ambivalence is pronounced.

**The overwhelming source of the dissatisfaction with federal partnerships stems from the onerous regulations and funding guidelines that come with them. Yet raising too public a fuss would give powerful ammunition to those who reject the model of public-philanthropic partnerships on ideological grounds.**

Of course, public-philanthropic partnerships of every type carry considerable risks as well as the potential for discord, stemming from a clash of operating cultures between foundations and government. Each is governed by its own rules and timelines and is reluctant to adapt to those of the other. Most foundation leaders interviewed said they had sunk considerable time and resources into a partnership only to see it unceremoniously dissolved when its political champion moved to another position, became preoccupied with the crisis of the moment, or was voted out of office. They acknowledged that government agencies often operated at a slower pace than foundations and that entering a PPP required a large dose of patience. A certain degree of frustration

was inevitable in these partnerships, but this was not necessarily fatal to the development of a productive relationship.

Some interviewees, however, said that in their partnerships with the Obama Administration, their frustrations had become especially acute, despite the early notes of enthusiasm. In the words of one foundation president, who had engaged in several PPPs with the administration, the relationship had at times become “toxic.” Avoiding soured relationships should be a main priority in any future Council discussion of PPPs.

Two main grievances emerge. The first, somewhat paradoxically, stems from the high-profile nature of many of the PPPs the administration has championed. The ambition and hype surrounding some of these partnerships has led nonparticipants to charge that the administration favors certain kinds of foundations—large institutions rooted in urban areas—and has ignored

others. “This administration has a bias in favor of very large deals that get lots of publicity,” notes the president of one small regional foundation. “I don’t think there are a lot of private funders that have the capacity to do deals at the level that this administration wants to do them at.” He terms this discrimination “segregation based on capacity.” Several foundation leaders interviewed offered anecdotal evidence of smaller foundations shying away from engaging in PPPs with the federal government because they did not think they could bear the significant regulatory and administrative burdens and evaluative requirements that came with them—and so could not enjoy the benefits the partnerships offered.

What should the reaction of the grantmaking community be to this disparity? Some regional associations have already begun to invite small foundations into discussions with state and federal government officials. Should the Council on Foundations take a similarly active role in promoting participation in PPPs throughout the sector, and if so, how might it begin to do so?

The overwhelming source of the dissatisfaction with federal PPPs, however, stems from the onerous (“insane,” in the words of one foundation leader) regulations and funding guidelines that come with them. The president of one foundation, which had entered into several extensive partnerships with the administration, insisted that these burdens represented the greatest threat to philanthropic freedom. They were so intense, in fact, and required such contortions, that she could not consider her relationship with the federal government a “partnership,” and she was not sure the “hassle and headache” had been “worth it.” The federal guidelines were also an impediment to getting more foundations to participate in PPPs; “you cannot expect private foundations to continue to ante up and then be audited under federal restrictions,” she explained.

Several foundation leaders reported that the situation has recently improved, perhaps through the intervention of administration officials sympathetic to the foundation and nonprofit perspective, SIF Director Paul Carttar prominent among them. Yet it would seem foolhardy to rely entirely on their efforts. Several interviewees questioned how the Council on Foundations might help relieve some of the tension developing between foundations and the administration. As one foundation president advised, the Council could play an important and productive role, but it would have to act with considerable discretion. Raising too public a fuss about onerous federal regulations would give powerful ammunition to those who reject the model of public-philanthropic partnerships on ideological grounds—easily exploitable evidence that government red-tape was predictably smothering private initiative. Complaints about the burdens and challenges of PPPs should be articulated, this president counseled, within a broader defense of the worthiness of ambitious public-philanthropic partnerships. And if the Council became involved, it could operate most productively behind the scenes. The president suggested that a discussion with officials of the Office of Management and Budget about the possibility of obtaining waivers for foundations from certain funding guidelines might be especially useful.

Another sort of intervention by the foundation community might be undertaken more publicly and more aggressively and would, in fact, build on work the Council has done in the past. It would address the shared concerns of leaders of a broad range of foundations that engage in the wide range of public-philanthropic partnerships at every jurisdictional level: that there exists a considerable “disconnect” between government officials and grantmakers in understandings about how government and foundations operate. Nearly all interviewees, even those who reported generally positive experience with PPPs, acknowledged that most government officials do not “get” foundations and the nonprofit sector. The disconnect seems especially troubling in regions without strong traditions of public-philanthropic partnerships. One president of a foundation in the Southeast reported that she was met with blank stares when she asked state government officials how her foundation could assist them; she quickly realized they had little understanding of what a foundation did, and she consequently has backed off pushing that possibility. “I walked away from the table because there was only so much time that I can spend trying to educate them about how foundations can be useful,” the president explained. Many of those interviewed insisted that the major frustrations they faced with PPPs stemmed from this basic “disconnect.”

Thus, several interviewees insisted on the need to encourage a candid and respectful process of mutual education between the sectors. “What’s necessary is relation building at the highest levels,” insisted one foundation president. Foundation liaisons and directors of philanthropic outreach within government agencies have embraced this task, holding frequent workshops and meetings to introduce one community to the other. The Advisory Committee of the PPP Initiative might consider what the Council could do to further this effort, with a specific eye to improving public-philanthropic partnerships. One foundation president suggested sponsoring a program in which foundation and nonprofit leaders take a year off from their work and embed themselves within federal agencies to share their own perspectives and to gain something of the government’s. Projects like these suggest one of the less appreciated benefits of public-philanthropic partnerships, one that extends beyond the stated aims of particular initiatives. PPPs can serve as a diagnostic for the general relationship between government and the grantmaking community, exposing sources of misunderstanding and mistrust that, if resolved, can yield broad benefits across both sectors.

**September 2012**

## Notes

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<sup>1</sup> Interviewees were promised anonymity and so are not quoted by name in this report.

<sup>2</sup> On collective impact initiatives, see John Kania and Mark Kramer, “Collective Impact,” *Stanford Social Innovation Review*, vol. 9, no. 1 (Winter 2011), 36-41.

<sup>3</sup> On the Fund for Our Economic Future, see Brennen Jensen, “Rebuilding Buckeye Business,” *Chronicle of Philanthropy*, vol. 21, no. 14 (May 7, 2009), 2. On the National Fund for Workforce Solutions, see *The National Fund for Workforce Solutions: A History of Collaboration* (Annie E. Casey Foundation, 2008) and Charles Goldberg, *The Origins of Regional Funding Collaboratives in the National Fund for Workforce Solutions* (National Fund for Workforce Solutions, 2011).

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- <sup>4</sup> Andrew Wolk and Colleen Gross Ebinger, “Government and Social Innovation: Current State and Local Models,” *Innovations*, vol. 5, no. 3 (Summer 2010), 138, 140.
- <sup>5</sup> “Working With Government: Guidance for Grantmakers,” GrantCraft (2010), 25.
- <sup>6</sup> “Case Study: Building the Bridge,” PolicyWorks for Philanthropy Report, 2010, 2; “Future is Hazy for Statewide Philanthropic Partnership,” *New Mexico Business Weekly*, January 28, 2011.
- <sup>7</sup> For more on PPPs in Detroit, see Rick Cohen, “Motown Blues: Foundations and Government Struggle for Solutions and with Each Other,” posted on July 17, 2011, at npquarterly.com; Matthew Dolan, “Revival Bid Pits Detroit vs. Donor,” *Wall Street Journal*, July 2, 2011. For more on PPPs in post-Katrina New Orleans, see Nicole Wallace, “Blueprint for Rebuilding,” *Chronicle of Philanthropy*, vol. 19, no. 21 (August 23, 2007), 15.
- <sup>8</sup> Diane Ravitch, *The Death and Life of the Great American School System* (New York: Basic Books, 2010), 195-222; Joanne Barkan, “Got Dough? How Billionaires Rule Our Schools,” *Dissent*, vol. 58, no. 1 (Winter 2011).
- <sup>9</sup> “From Grantmaker to Federal Grantee: Risks and Rewards. Lessons Learned from the Social Innovation Fund,” Grantmakers for Effective Organizations, 2011, 2, 5. For more on the tension between innovation and scale in the i3 program, see Kim Smith and Julie Petersen, “Supporting and Scaling Change: Lessons from the First Round of the Investing in Innovation (i3) Program,” Bellwether Education Partners, 2011.
- <sup>10</sup> William Schambra, “Support for Obama Could Cause Trouble for Foundations After Elections,” *Chronicle of Philanthropy*, vol. 23, no. 2 (October 21, 2010), 7; Beyond Tinkering in Education Reform,” PolicyWorks for Philanthropy Case Study Report, 2010.
- <sup>11</sup> Howard Husock, “The Solyndra-ization of Philanthropy,” *Wall Street Journal*, October 28, 2011.
- <sup>12</sup> Smith and Petersen, “Supporting and Scaling Change,” 44, 57.
- <sup>13</sup> On the calculation of health foundations, see Thomas R. Oliver and Jason Gerson, “The Role of Foundations in Shaping Health Policy: Lessons and Efforts to Expand and Preserve Health Insurance Coverage,” in James M. Ferris, ed. *Foundations and Public Policy: Leveraging Philanthropic Dollars, Knowledge, and Networks for Greater Impact* (Foundation Center, 2009), 137-138.