

**LEGISLATIVE HEARING BEFORE THE**  
**CALIFORNIA STATE LEGISLATIVE BLACK CAUCUS**  
**CALIFORNIA LATINO LEGISLATIVE CAUCUS**  
**ASIAN PACIFIC ISLANDER LEGISLATIVE CAUCUS**  
  
**ON**  
  
**FOUNDATION GIVING TO MINORITY-LED NONPROFITS**

**STATE CAPITAL ROOM 444**  
**SACRAMENTO, CALIFORNIA**

**APRIL 24, 2006**  
**4:00 – 6:00 PM**



**1918 University Avenue, 2<sup>nd</sup> Floor**  
**Berkeley, CA 94704**  
**[www.greenlining.org](http://www.greenlining.org)**

**FOUNDATION GIVING TO MINORITY-LED NONPROFITS  
MONDAY, APRIL 24, 2006**

**STATE CAPITAL ROOM 444  
SACRAMENTO, CALIFORNIA**

**AGENDA**

- 4:00    **OPENING REMARKS**  
Chairs of the California State Legislative Black Caucus, California Latino Legislative Caucus, and Asian Pacific Islander Legislative Caucus
- 4:15    **FOUNDATION GRANTMAKING TO MINORITY-LED ORGANIZATIONS**  
John C. Gamboa, Executive Director, The Greenlining Institute
- 4:20    **OFFICE OF THE ATTORNEY GENERAL BILL LOCKYER**  
Belinda Johns, Senior Assistant Attorney General, Charitable Trusts Division
- 4:25    **TESTIMONY FROM NON-PROFIT LEADERS**
- 5:00    **TESTIMONY FROM FOUNDATION LEADERS**
- 5:20    **TESTIMONY FROM CORPORATE LEADERS**
- 5:35    **PUBLIC COMMENTS**
- 5:50    **CLOSING REMARKS**
- 6:00    **ADJOURN**



## INTRODUCTION

Members of California's Latino Legislative Caucus, Legislative Black Caucus, and Asian Pacific Islander Legislative Caucus held a historic joint hearing on April 24, 2006 to discuss diversity in grantmaking and governance in the philanthropic sector. The hearings were called in part in response to the *Fairness in Philanthropy* report published in 2005 by The Greenlining Institute.

Legislators heard testimony from over 20 witnesses representing nonprofits, foundations, and corporations. Over 75 private foundation presidents were invited to testify; two presidents and two senior executive staff members accepted. In addition, corporate leaders were also invited to discuss their corporate giving programs.

The hearing explored the issue of grantmaking to minority-led nonprofits and discussed the importance of accountability, effective communication, and transparency within the sector. Participants highlighted several model programs and recommended best practices to encourage more dialogue between nonprofits and foundations and to increase diversity in grantmaking.

## OPENING REMARKS BY CALIFORNIA ASSEMBLYMEMBERS

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*Joe Coto, California Latino Legislative Caucus*  
*Mervyn Dymally, Legislative Black Caucus*  
*Carol Liu, Asian Pacific Islander Legislative Caucus*  
*Ted Lieu, Asian Pacific Islander Legislative Caucus*  
*Mark Ridley-Thomas, Legislative Black Caucus*  
*Alberto Torrico, Asian Pacific Islander Legislative Caucus*

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Legislators called this hearing to gather information on a possible crisis of diversity in philanthropy. Recent studies point to the lack of diversity in both grantmaking programs and governance of foundations. The intent of the joint caucuses in calling this hearing was to raise awareness about the importance of investing in California's future, especially by investing in communities of color.

Although foundations have been prominent supporters of minority communities in the past, legislators noted that funding for minority communities seems to be diminishing. Although several California-based foundations are making these important investments, legislators called for greater accountability across the sector and more generosity on the part of foundations for underserved and minority communities.

Philanthropic investments are especially important in times of budget deficits and shrinking public funding. Nonprofit and community-based organizations are called on to serve more and more people with limited funding and provide disadvantaged populations a voice within the public discourse. Legislators highlighted the growing need for funding to ensure the nonprofit infrastructure can adequately serve the needs of California's underserved and minority communities.

#### **FOUNDATION GRANT MAKING TO MINORITY-RUN NONPROFIT ORGANIZATIONS**

*John C. Gamboa, Executive Director, The Greenlining Institute*

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John Gamboa provided context and background for the hearing and discussed why Greenlining conducted the *Fairness in Philanthropy* study, which found that only 3 percent of foundation giving went to minority-led organizations in 2002. His discussion of the methodological limitations of the study highlighted the lack of data and public information available on diversity in philanthropy.

Mr. Gamboa cited two main reasons why Greenlining initiated this research and advocated for a public hearing. First, minority leaders and organizations are frequently criticized by policymakers for their lack of participation in certain policy issues. Second, most current policy issues critically affect the minority community more than they do the general population. California's communities of color now comprise a majority of the state's population and are its growth communities, representing 80 percent of new households in California.

Like banks and corporations, foundations deal in investments through philanthropic grants. Greenlining research demonstrates that many foundations are failing to invest in minority communities, resulting in the inadvertent exclusion of minority voices from policy debates. Without access to adequate foundation resources, minority-led nonprofit organizations are finding themselves *on*, rather than *at*, the policy table, thus diminishing the ability of minority populations to contribute to public policy debates and participate in democracy.

Mr. Gamboa addressed the positive role foundations have played in strengthening multi-racial democracy in the past and applauded those foundations that continue to fund the institutions that make California a vibrant and diverse state. However, he called for greater accountability and transparency across the sector to ensure philanthropy is even more capable of responding to the needs of California's diverse residents.

#### **REMARKS BY THE OFFICE OF THE CALIFORNIA ATTORNEY GENERAL**

*Belinda Johns, Senior Assistant Attorney General, Charitable Trusts Division*

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Belinda Johns discussed the role and jurisdiction of the Attorney General's office as it relates to charities and oversight of charitable endeavors in the state. The charitable division includes a registry of charitable trusts unit and a legal and audit unit. Although the Attorney General's office does not regulate how charitable organizations distribute grants, Ms. Johns expressed support for the goals of the hearing and provided three recommendations:

1. Create heightened dialogue between foundations and minority led nonprofits.
2. Encourage minority-led nonprofits to become more competitive by more effectively marketing their missions and good governance practices.
3. Provide additional grants for technical assistance and capacity building efforts for small and emerging nonprofits.

## **PERSPECTIVES FROM NONPROFIT LEADERS**

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*Luis Arteaga, Executive Director, Latino Issues Forum*

*Woody Carter, Executive Director, Bay Area Black United Fund*

*Keith Kelley, Executive Director, Fresno West Coalition for Economic Development*

*Menachem Krajcer, Senior Policy Analyst, Applied Research Center*

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Testimony presented by experienced nonprofit leaders highlighted several important issues facing many small and emerging nonprofit organizations across California. One community leader referenced recent research that points to the systemic exclusion of minority communities from foundation giving and asked caucus members to consider why these patterns exist. This witness stated that “the primary reason for this exclusion is the lack of foundation accountability and transparency. We know little about who governs these organizations, how board members are selected, and how grantmaking priorities are established.”

Findings from a study entitled, *Short Changed*, published by the Applied Research Center, a nonprofit research and advocacy organization, quantified and analyzed the amount of foundation funding going to communities of color in 2001. Findings demonstrated that only 7.5 percent of grant dollars targeted minority communities and only 1.1 percent of grant dollars were targeted to civil rights and social action. Another community leader testified that “we are concerned with the lack of accountability and unwillingness to track data and look to the legislature to take leadership on this issue.” Witnesses also commented that the existence of nonprofit organizations that serve the specific cultural and economic needs of minority populations is vital. Although many of the nonprofits that testified receive some funding from foundations, they stated that their experience was that many local and national foundations will not consider supporting identity-based programs and projects. Witnesses also highlighted the disconnect between what foundations see as important and “right” ways to support low-income and minority communities and what individuals and nonprofits within those communities see as effective ways to serve their constituents.

Witnesses also discussed the immense needs of poor communities and the important role foundations can and should play in providing seed money and capital for community development. One leader testified that foundations overlook minority-led organizations “even when they write good grants and have clean audits.”

## **PERSPECTIVES FROM FOUNDATION LEADERS**

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*Jim Canales, President & CEO, James Irvine Foundation*

*James Head, Director of Programs, The San Francisco Foundation*

*Ruth Holton-Hudson, Director of Public Policy, The California Wellness Foundation*

*Robert K. Ross, M.D., President and Chief Executive Officer, The California Endowment*

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Testimony presented by foundation executives provided insight into the policies, philosophies, and strategies of several large, influential California-based foundations. Through a discussion of their mission statements and program descriptions, each foundation demonstrated a broad commitment to serving low-income and minority communities. All four foundation representatives highlighted the importance of staff and board diversity across all levels of the organization. “We believe diversity both within our board and staff strengthens our organization and provides a range of perspectives,” commented one foundation president.

Each foundation representative outlined specific strategies undertaken by their organization to support programs and projects that benefit communities of color and train leaders in minority communities. One witness highlighted their foundation’s multi-cultural fellowship program, and their work in civic engagement and get out the vote efforts. Another participant spoke about their foundation’s programs

which support grassroots advocacy, local community groups, statewide organizations working to inform policymakers, and leadership recognition programs.

Testimony from foundation leaders also stressed the importance of providing general operating support, capacity building grants and funding for technical assistance for small and emerging nonprofit organizations. One foundation executive noted that providing general operating grants “allow organizations to do what they want to do, not what we want them to do.” And by awarding capacity building grants and providing technical assistance to ethnic and minority-led organizations, foundations can “help build and strengthen their capacity to be agents of change in their communities,” noted one witness.

Finally, testimony addressed the specific question raised by the *Fairness in Philanthropy* study that quantified foundation giving to minority-led organizations. Foundation leaders noted that their foundations do not gather this data directly, but instead look at the populations served by the grant. One participant explained their approach: “By looking closely at who benefits from the activities of the nonprofit organizations we support, I believe we can gauge more accurately our efficacy in expanding opportunity for California’s low-income residents and communities of color.”

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#### **PERSPECTIVES FROM CORPORATE LEADERS**

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*Reza Aghamirzadeh, Vice President, Community & External Affairs, Washington Mutual*

*Leticia Aguilar, Consumer Executive for the Greater Los Angeles and Central*

*California Division, Bank of America*

*Ophelia Basgal, Vice President Civic Partnership and Community Initiatives, Pacific Gas & Electric*

*Tim Hanlon, President, Wells Fargo Foundation*

*Robert McNeely, Senior Vice President, Union Bank*

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Testimony presented by corporate leaders highlighted the importance of making funding decisions at the local level and allowing community members the opportunity to provide input and identify needs within their own communities. One witness put it this way, “local people living and working in their communities know best how to direct philanthropic dollars.”

Another community-based grantmaking program discussed at the hearing was the Bank of America Neighborhood Excellence Initiative (NEI). NEI uses local selection committees made up of customers and nonprofit representatives to identify outstanding local heroes and student leaders to receive \$200,000 in unrestricted operating grants for leadership training and networking, thus providing the organization the opportunity for growth and sustainability. To date, the program has awarded over \$30 million to outstanding nonprofit organizations, a majority of which serve communities of color.

Corporate leaders recognized the importance of targeting funding to organizations that reach underserved populations by “learning to make those communities a priority through the design and evaluation of new programs,” commented one witness. Testimony from bank executives revealed high levels of giving to minority and low-income communities and nonprofit organizations. A policy to “contribute to the diverse communities in which we live and work” has resulted in over 40 percent of grant dollars to minority communities and nonprofits by one of the banks represented. Another bank executive noted that over 50 percent of their grants are CRA-qualified, “meaning they target low- and moderate-income communities and communities of color,” and another bank executive testified that over 85 percent of their grants in California served minority communities in 2005.

Recognizing that corporations benefit directly from the economic health of the communities they serve and the prosperity of its citizens, testimony from corporate representatives highlighted a broad commitment to improving the communities in which these organizations do business. “Being an active and engaged corporate citizen is part of the fabric of our culture and a critical element of our core values,” commented one prominent bank representative. Other participants discussed their commitment to serve low-income and minority populations by increasing their community reinvestment act commitments and setting annual philanthropic goals at 2 percent of net income.

#### **CLOSING COMMENTS: NEXT STEPS AND RECOMMENDATIONS**

Legislators highlighted several important points that emerged from this hearing:

1. The question of diversity in philanthropy is an important one and should be discussed in more detail by nonprofit executives, foundation leaders, corporate leaders, and policymakers across California.
2. Capacity building and technical assistance are key for small and emerging nonprofit organizations to increase financial and human capital and become more competitive in the grantmaking process.
3. The value of diversity starts at the top and must exist at all levels within the organization to ensure equitable allocation of philanthropic resources.
4. Foundations and nonprofits must engage in more meaningful dialog around the issues of accountability, transparency, and access to information and knowledge.

*The Greenlining Institute Mission Statement*

The Greenlining Institute's mission is to empower communities of color and other disadvantaged groups through multi-ethnic economic and leadership development, civil rights and anti-redlining activities.

This report is part of a larger effort to hold tax-exempt philanthropic organizations accountable to growing diverse communities in California and the nation. For more information on Greenlining's activities to bridge the philanthropic divide, please visit us at [www.greenlining.org](http://www.greenlining.org).