

# Flying Blind: Proposition 54 & Philanthropy

The Classification by  
Race, Ethnicity, Color,  
or National Origin  
(CRECNO) Initiative

The news about the October 7, 2003, special California election has been dominated by the governor's recall and the proliferation of candidates for governor. But also on the ballot is a state proposition of far-reaching consequences: the Classification by Race, Ethnicity, Color, or National Origin (CRECNO) Initiative. Originally known as the Racial Privacy Initiative (RPI), Proposition 54 would ban state government from classifying people by race, ethnicity, color, or national origin, except for medical research or to meet court decrees, federal requirements or several other purposes.

Most of the public debate about Proposition 54 has been about its impact on healthcare and collegiate education. This study explores a hitherto neglected area: the Proposition's potential impact on the practice of philanthropy in California. To consider this impact, The San Francisco Foundation commissioned CompassPoint Nonprofit Services, a private nonprofit research and consulting firm, to conduct a study of California foundations. The study included survey responses from 93 foundation program officers, interviews with the executives of 12 foundations, and content analysis of the information posted on the web by 126 California foundations.

## Among the key findings:

- California foundations make extensive use of race, ethnicity, and national origin data in the distribution of hundreds of millions of dollars each year. Eighty-four percent (84%) consider the race, ethnicity, and/or national origin of applicants' clients in taking action on grant proposals.
- Beyond the review of grant proposals, 76% of program officers—those responsible for evaluating and recommending grants—regularly utilize city, county, and state sources of race and ethnicity data in their work.
- Foundation CEOs and program officers are concerned about Proposition 54's impact on the practice of philanthropy. Seventy-five percent (75%) of program officers rated their concern a 5 or 6 on a six point scale. CEOs express concern over access to the demographic outcomes data they use to set foundation strategy, determine investment priorities, and measure impact.
- While foundation concern about Proposition 54 appears to be high, few foundations are playing an active role in educating the non-profit sector or the public at large about its potential impact.

“We spent a million and a half dollars undoing Proposition 187, but not a nickel on trying to defeat it.”  
FOUNDATION EXECUTIVE

## Legally Permissible Philanthropic Response to Ballot Propositions

Northern California Grantmakers’ recent publication, *The Private Foundation’s Guide to the California Initiative Process*, outlines what foundations can do:

- Private foundations may make programmatic or general support grants to public charities that lobby as long as the grants are not earmarked for lobbying. Knowledge that a public charity engages in lobbying does not render a grant “earmarked.”
- Private foundations can give specific project grants to fund projects that include lobbying so long as the foundation’s total grants for the same project and year do not exceed the amount the grantee had budgeted for the non-lobbying portion of the project.
- Community foundations can make the grants listed above as well as grants that are specifically earmarked for lobbying. However in the latter case, they must treat the grants as lobbying expenditures of their own pursuant to limits that apply to 501(c)(3) public charities.<sup>2</sup>
- Moreover, there are a host of activities that are not considered lobbying which foundations can fund or undertake including: nonpartisan analysis and research, technical assistance, sponsorship of public discussions and forums, and educational media.

<sup>2</sup> *Worry-Free Lobbying for Nonprofits: A Handbook for Funders and Grantees Published by the Alliance for Justice, p. 9*

6" PANEL TRIM LINE

**For more information about philanthropic response to Proposition 54,** please contact Anthony Tansimore at **The San Francisco Foundation**. He can be reached at 415.733.8500.

In addition to the Voter’s Handbook, places to find additional information include the two official sites below.



[www.racialprivacy.org](http://www.racialprivacy.org)



[www.informedcalifornia.org](http://www.informedcalifornia.org)

# Four key findings:

1.

**Each year, California foundations make distribution decisions about hundreds of millions of dollars using information about race, ethnicity, and national origin.**

- 84% consider the race, ethnicity, or national origin of their grant applicants' beneficiaries in grant decisions.
- 70% regularly refer to the race, ethnicity, or national origin of grant beneficiaries in communicating foundation impact.
- 76% of program officers—those responsible for evaluating grant proposals and recommending grants—regularly utilize a variety of county and state data sources on race, ethnicity, or national origin.

Although foundations do not typically articulate race, ethnicity, or national origin as components of their giving guidelines, the use of such factors is manifest in the descriptions of their areas of interest and reflected in the grantees to which they make awards.

A content analysis of 126 foundation websites found:

- 39% use race, ethnicity, or national origin language in articulating the primary mission and goals of the foundation.
- 48% use race, ethnicity, or national origin language in listing their areas of grantmaking interest.
- 52% appear to make grants targeted at specific racial, ethnicity, or national origin populations.
- 74% of those whose websites listed grant recipients (N=106) make grants to nonprofits with names that indicate their primary mission/target population is race or ethnicity-based.

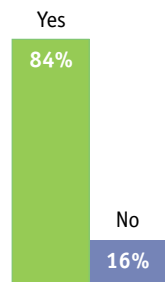
In short, the practice of philanthropy in California makes extensive use of race, ethnicity, and national origin data. Moreover, the very nature of philanthropy is to “target” resources, and in many cases race and ethnicity appear to be critical factors in determining desired outcomes.

2.

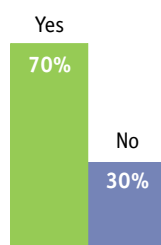
**There is widespread concern among foundation executives and grantmaking staff about Proposition 54's impact on the practice of philanthropy because they believe it will put essential race, ethnicity, and national origin data at risk.**

Seventy-five percent of program officers rated their level of concern as a 5 or 6 on a six point scale. Foundation executives with concerns about Proposition 54 describe overall foundation strategy—including the determination of areas of grantmaking interest—as relying on current demographic data including race, ethnicity, and national origin. Still, concern among CEOs was not unanimous. Some said that they rarely consulted race and ethnicity data, while others questioned whether the proposition as written would indeed impact the sources they typically use.

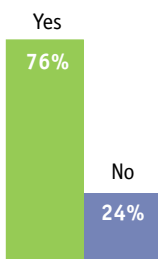
## Use of Race/Ethnicity/National Origin Data in Grantmaking



Is race, ethnicity, or national origin of applicant's clients a factor in action on a grant proposal?



Do you regularly refer to race, ethnicity, or national origin data in communicating program area accomplishments?

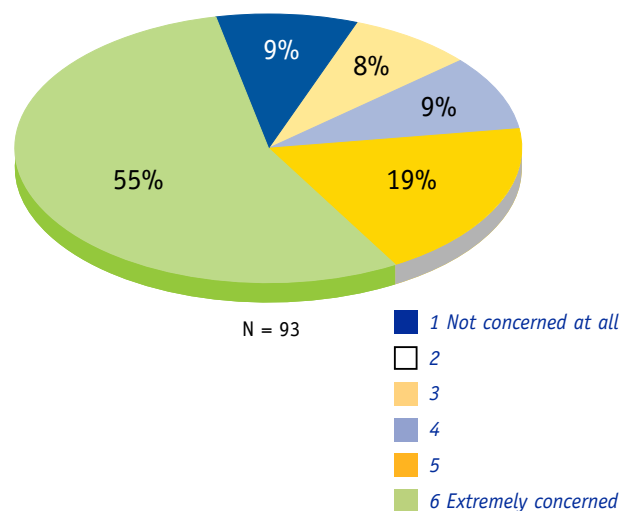


Do you regularly review race, ethnicity, or national origin beyond applicant proposals?

N = 93

## Grantmaker Concern

On a scale of 1 to 6, with 1 meaning “not concerned at all” and 6 meaning “extremely concerned,” how concerned are you about Proposition 54's potential impact on the availability of information you use in your work as a grantmaker?



“Losing that type of data makes it much more difficult to focus programming and creates an element of guesswork in making and evaluating grants. It limits our ability to make good investment decisions.”  
**FOUNDATION EXECUTIVE**

# 3.

**Many foundation executives and grantmaking staff are worried that Proposition 54 would limit philanthropy’s ability to measure societal change.**

Given the philanthropic field’s attention to establishing metrics and tracking outcomes, respondents are concerned about Proposition 54’s impact on the nonprofit and public sectors’ ability to measure effectiveness. Foundation leaders seek to evaluate whether they have secured the best possible outcomes through effective distribution of community resources. As one foundation executive explained, “If you only have enough money to target, say, 5,000 people, you need to look at demographic data to find the best bang for the buck.”

# 4.

**For a large majority of program officers, Proposition 54 is not aligned with the values of their foundations; CEOs tend to articulate a tension between the Initiative’s intent and practical impact.**

Eighty-four percent of program officers believe that Proposition 54 is not aligned with their foundation’s values. Some CEOs feel in tune with the goal of a color-blind, post-race society described by the Initiative’s backers, while others articulated an ideal that links “inclusiveness” to affirmation of differences in race, ethnicity, and national origin. Still, many question the link between collecting data and the achievement of either goal. As one CEO noted, “Embracing diversity and not judging individuals is a good thing. However, having or not having racial data is not necessarily linked to a colorblind society.” Program officers and CEOs who found common ground with Proposition 54, often referenced one or both of the following principles:

- 1) that economic disadvantage is a more accurate and useful indicator of need for services than race and ethnicity,
- 2) that the goal in grantmaking ultimately is to help or serve individuals so that overall diversity is a value, but not the routine monitoring of group demographic trends.

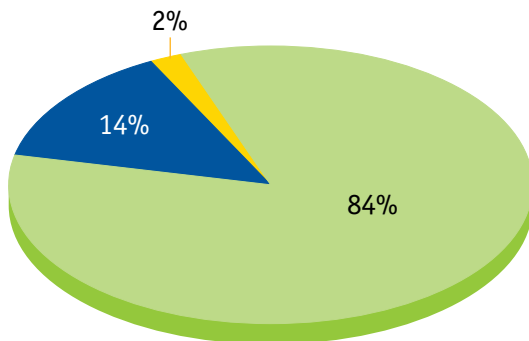
“Color of skin and language will continue to impact education, housing and economics even if we don’t look at it. When these factors weren’t looked at historically the situation was much worse and this could just aggravate it.”  
**FOUNDATION EXECUTIVE**

“Our grants to organizations providing social services depend far more on disadvantaged status than ethnic background. We are committed to providing opportunities and services to all disadvantaged people regardless of ethnicity.”  
**PROGRAM OFFICER**

“Just as we need to know the [demographic] landscape to be effective grantmakers, our grantees need to know the landscape to maintain effective programs.”  
**PROGRAM OFFICER**

## Alignment with Foundation Values

In your opinion, is CRECNO aligned with the values of your foundation?



N = 93 Program Officers

- Not aligned
- Somewhat aligned
- Aligned

“Those foundations  
that can should come out  
clearly with well-articulated  
positions of Prop 54’s impact  
on the clients whose lives  
they are trying to help.”  
FOUNDATION EXECUTIVE

# Conclusions

**While race, ethnicity, and national origin are just a few of a number of key factors foundations consider in their grantmaking, a striking conclusion to be drawn from this research is that restricting the collection of this data is likely to have significant negative impact on the practice of philanthropy in California.** Indeed, these findings demonstrate that issues of race and ethnicity run throughout the principles and practices of much of philanthropy. From the establishment of foundation priorities to the consideration of individual proposals, California foundations use this data to make hundreds of millions of dollars of targeted investment in communities across the state. Given the dynamic racial, ethnic, and national origin composition of California, a lack of meaningful data could undermine the focus and effectiveness of foundation grantmaking.

Just as striking, given the overwhelming concern about the Proposition reported by participants in this study, is the lack of action taken by foundation leaders. **California foundations are not active players in—or funders of—educating the nonprofit sector or the public at large about Proposition 54.** Only one of the executives interviewed described specific steps taken to inform the public debate. Moreover, it was rare for the issue to have come to a Board of Trustees for discussion.

Certainly some of the reticence to act is related to IRS restrictions on lobbying by foundations, but that does not appear to be the whole story. Given the range of legally permissible actions that have been left untaken, an important question is: What role should foundation leadership play when confronted by a public policy issue with such potential to impact philanthropy and the communities philanthropy exists to impact?

With the election only a few weeks away, foundation leaders, including Boards of Trustees, should become familiar with Proposition 54, learn how their grantees and their peers in the field view the issues, and discuss its implications for their institutions. One foundation executive noted wryly that foundations tend to wait and fund remedies to ill-advised laws, when funding the debate may be more effective and less costly. **Now foundation leadership in California has another opportunity to consider how a ballot initiative might impact the work of philanthropy and its grantees—and to determine what level of institutional or even collective engagement is warranted.**

## Methodology

To be relevant to the special October 7th election, this research was conducted in August 2003. Data was collected in three ways:

- Northern California Grantmakers (NCG) and the Southern California Association for Philanthropy (SCAP) distributed the CompassPoint electronic survey by email to program officers on their mailing lists. There were 93 responses.
- A content analysis was performed for all private and community foundations (excluding operating foundations and corporate foundations) that are members of either NCG or SCAP and have websites. One hundred twenty-six websites were analyzed.
- Executives of 12 California foundations were interviewed by telephone.

## Foundation Interviews

The following are foundation presidents unless otherwise noted: Kathy Anderson, *Shasta Regional Community Foundation*; Jesse Arreguin, *Fresno Regional Foundation*; Carrie Avery, Chair of the Board of Trustees, *Durfee Foundation*; Paul Brest, *William and Flora Hewlett Foundation*; Jim Canales, *The James Irvine Foundation*; Ellen Furnari, *Waitt Institute*; Sandra Hernandez, M.D., *The San Francisco Foundation*; Joe Lumarda, Executive Vice President, *California Community Foundation*; Stephanie McAuliffe, Director of Human Resources and Organizational Effectiveness, *The David & Lucile Packard Foundation*; Janice Gow Pettey, *Sacramento Regional Foundation*; Gary Yates, *The California Wellness Foundation*; Kirke Wilson, *Rosenberg Foundation*

## The Research Team

This study was conducted by four CompassPoint researchers—Rod Hsiao, M.P.P., Jan Masaoka, Jeanne Peters, M.N.A., and Sabrina Smith—and independent consultant Caroline Tower. Research assistance by Barbara Camacho, Marla Cornelius, Kara Vassily, and Robin Wu. Anthony Tansimore and Ron Rowell of The San Francisco Foundation served as advisors to the study.

**This study is available for download at [www.sff.org](http://www.sff.org) or [www.compasspoint.org](http://www.compasspoint.org).** For additional copies of this study, please contact Barbara Camacho at **CompassPoint Nonprofit Services**.



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