

Have the Newly Created Mega Foundations Changed Philanthropy As We Know It?

Marconi Board Members and Guests gathered on February 15th at the River Club, on the Upper East Side of Manhattan for the 2007 Marconi Forum, an intimate evening with dinner, cocktails and a lively discussion entitled, "Have the Newly Created Mega Foundations Changed Philanthropy As We Know It?"

Following cocktails and hors d'oeuvres, Robert Lucky, Chairman of the Marconi Society, and moderator for the discussion, recognized Francesco Paresce, Guglielmo Marconi's grandson, who came from Italy to attend the event. Paresce commended the service of Zvi Galil, Dean of Columbia University's Fu School of Engineering and Applied Science, who is leaving Columbia to become President of Tel Aviv University in Israel this fall.

"I want to celebrate Zvi's incredible participation and support for our Society," says Paresce. Lucky added, "He's always been a powerful influence in our deliberations."

Marconi Director, Rosalind Whitehead then introduced Rosalind Walter, the new Marconi Forum Chairperson, a woman who has made a profound commitment to public television, through her visionary support of New York's WNET (Channel 13).

KEYNOTE SPEAKERS

Robert Lucky introduced the three Panel Speakers for the evening. Each Speaker gave a fifteen-minute talk, followed by a Question and Answer Session with the audience. **Gara LaMarche**, President and CEO of Atlantic Philanthropies, a foundation that awards grants to select organizations that serve disadvantaged people and promote social change. LaMarche was formerly Vice President and Director of U.S. Programs for the Open Society Institute, a foundation established by philanthropist, George Soros. Preferring to be called an "activist," for his work at Human Rights Watch and the American Civil Liberties Union, as well as for having published over 100 articles on human rights and social justice issues, LaMarche has twenty five years of experience on the grant seeking side of foundations. One stark change he sees in foundations today is the length of time they devote to funding initiatives.

"Foundations such as Carnegie, Rockefeller and Ford believe human problems need to be solved over generations," say LaMarche. "But at Atlantic Philanthropies, we have a four billion dollar endowment and are determined to spend it in 10 to 12 years."

"Although foundations fund initiatives for different lengths of time, the issues they ultimately decide to fund are often similar," says LaMarche.

LaMarche attributes this to the rise of mega foundations, such as the one that Gates established. Calling it "the 800 pound gorilla," LaMarche says, "these large organizations shine the spotlight on a certain number of issues, which other organizations begin to

focus on. This may not be a bad thing," he says, "but it causes other important issues to get swept under the rug."

Addressing a question from the audience on the nature of living philanthropists and their legacy, LaMarche spoke about the importance of donors' trust in their employees' decisions to administer grants.

"I don't think you can have an impact unless you trust people to help you give out money," says LaMarche. "It's hard to make an impact unless you find people who can really carry out your vision and program. The best donors are very engaged and know if they do it by themselves they will be limited."

Another audience member commented that foundation grants are not enough to solve social problems, specifically those related to public education. According to LaMarche, you need a strong democratic system that promotes public responsibility to really make a difference.

"Foundations can help with education, but you can't fund it out of the private sector alone. The responsibility of the government can't substitute for that," he says. "We need to work alongside the government to effect change."

Janne G. Gallagher is Vice President and General Counsel of the Council On Foundations, a membership organization of more than 2,000 grant-making foundations and giving programs worldwide, which provide leadership expertise, legal services and networking opportunities to members and the general public. Previously, Gallagher spent 17 years in private law practice at Caplin & Drysdale, a firm in Washington D.C., where she specialized in the representation of tax exempt organizations.

Gallagher reflected on the political changes in Washington that directly influence foundations. According to her, the Pension Protection Act of 2006 included the most sweeping reform for charitable foundations. Under this new law, taxpayers must keep records of all cash donations and individuals must show a receipt from the charity, a canceled check, or credit card statement to prove their donation. Gallagher says the Pension Protection Act's one incentive is that it allows taxpayers over 70.5 years old during 2006 and 2007 to donate money to a charity directly from their IRA account, which would be tax-free and would avoid the penalty on early withdrawals.

Although the new law provides incentives for individuals donating to charities, Gallagher says the law differs when it comes to private foundations.

"Congress doesn't see the benefit of private philanthropy," says Gallagher. "They don't view them as real charities. They think people store money in them and the real charity gets done only when grants are made. They think they are intermediaries and people should give their money directly to charities."

One example is the Katrina Relief Legislation, which Gallagher says created a short-lived, but substantial tax incentive. If you made a contribution between September 1 and December 31 of 2005 you could zero out your income tax liability. However, Congress didn't require donations to be made only for Katrina. Donations could go to any organization except to private foundations, supporting organizations and donor advised funds.

Gallagher says she remains firmly convinced that there are very few foundations where money is misused.

"There's still a belief on Capitol Hill that private foundations are mechanisms to transfer a family or an individual's money tax free to their children. Members of Congress have to get to know the people running foundations and see the good work they're doing," she says. "Private foundations have a tendency to hide but they need to come forth and talk about the positive work they're doing."

Gallagher says questions are circulating in Washington such as: whether foundations should exist forever; government rules about expenditure, such as flying first class and the deductibility of gifts.

"Congress needs to understand the value of philanthropy or we will see encroachments continue over the next several years," warns Gallagher.

Jim K. Omura is the Technology Strategist for the Gordon and Betty Moore Foundation, a grant-making organization that aims to advance environmental conservation and cutting-edge scientific research around the world, as well as help improve the quality of life for people living in the San Francisco Bay area. Omura is also advisor to several commercial companies in the wireless market. He is Co-founder of Cylink Corp., in Sunnyvale CA, a supplier of commercial data encryption systems for private networks.

Omura spoke about his work with the Gordon and Betty Moore Foundation, which was formed in 2000 to preserve the world's environment for future generations and to give back to the San Francisco Bay area. The organization gives five percent a year of its money and funds projects for up to ten years. Some initiatives include: an effort to preserve the Amazon rainforest through a 400 million dollars grant over a ten year period; a wild salmon project to preserve the diversity of wild salmon by conserving water sheds and rivers in British Columbia and Alaska; a nurses training program in the San Francisco bay area, and a grant for 300 million dollars to the California Institute of Technology over a ten year period.

QUESTION AND ANSWER SESSION

Audience members were given a chance to pose questions to the keynote speakers. One comment was about the need for foundations to lobby in Washington and work alongside government to really make a difference.

Gallagher responded that private foundations are prohibited under law from lobbying. LaMarche noted there is still a great deal foundations can do to promote advocacy short of lobbying, and most of the better foundations have a strategy for engaging government.

An audience member asked if any private foundations funded media efforts. According to LaMarche, some do, such as Soros' foundation. LaMarche says there are also fellowship grants available to journalists covering events, like Hurricane Katrina. "However," he says, "one of the most under-funded needs is independent media to engage citizens."

One comment touched upon philanthropy spreading in other parts of the world because of globalization. LaMarche responded that although there is philanthropy in other countries, the American tax code is much more encouraging than other governments and provides tax incentives for giving. "However," he says "the American brand is a little tarnished and American philanthropy is not as welcome as it once was."

A question posed more than once was about holding foundations accountable for measuring the success of their grants.

"In business and in government you have measures to find out if you're successful, but foundations have none of those kinds of measures and have no real critical press," says LaMarche. "The best thing for private foundations is a critical and engaged media covering foundations."

By Nancy Salim