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Foundations Should Be Required to Disclose Data on Diversity

By Pablo Eisenberg

than \$250-million in assets to disclose information about the race and gender of people on their governing boards and the boards of their grantees. In addition, they would need to provide data about the extent to which their grants have gone to groups that serve minorities.

The bill, which was passed by the State Assembly in January, has attracted opposition from foundations and the organizations that represent them. Their frenzied response, however, seems a little like the teenager who killed both of his parents and then pleaded for mercy on the grounds that he was an orphan.

For many years, foundations have paid little attention to diversity issues.

They have done little to increase the small number of grants they award to benefit low-income and minority people nor have they taken steps to diversify their boards, which are composed mainly of elite members of society. They have ignored their responsibility to be accountable to the public, and they have done little to conduct research on governance and diversity issues.

As soon as the California measure started getting serious traction, foundations and their supporters, not surprisingly, changed their position and message. They now say they understand the diversity problems they have long ignored but want to tackle them in their own way — by voluntary action and research rather than in response to a government requirement. It's a bit late for that sort of response.

The bill, AB 624, was inspired by the Greenlining Institute, an advocacy group in Berkeley, Calif. The legislation needs to be simplified, shorn of its demands for information about contractors to foundations and their grantees and data on grants to organizations that aid gays and lesbians, a requirement that may run into privacy issues.

However, regardless of the poor crafting, the legislation's purpose is fundamentally sound. Foundations should be required to disclose race and gender information about their boards and those of their grantees, as well as the extent to which minority groups are beneficiaries of their grant making.

Issues of race and gender have been a matter of concern and priority in the United States for decades. And they are particularly relevant in states like California where minorities form a growing majority of the population. That is why years ago the federal government introduced affirmative-action programs, followed by similar state programs.

That is why the Home Mortgage Disclosure Act, enacted as a measure to combat redlining, requires private banks to disclose information about neighborhoods to which they provide loans. That is why universities and colleges that receive federal money must provide information about the diversity of their student bodies and employees.

That is also why a growing number of foundations like Ford and the San Francisco Foundation have

voluntarily provided information about the diversity of their boards and asked their grantees to do the same, and why grant makers' associations in Massachusetts and western Pennsylvania have included questions about diversity in their common grant-application forms.

Nor should we forget that a large majority of foundation program officers in California opposed Proposition 54, a 2003 measure that would have banned the state from collecting data about race and ethnicity. The measure ultimately failed when it did not receive enough votes from the public to make it into law.

The howls and protests of foundations in response to the legislation passed by the California State Assembly might lead one to think the bill was an attempt by government to intervene in foundation grant making. It is not. It is simply a disclosure bill.

What's more, it doesn't constitute an invasion of privacy, as some foundations contend. That argument might have some currency if foundations were entirely private institutions. But they are not.

They are quasi-public institutions that benefit from public subsidies in the form of tax exemptions for the foundations and tax deductions for their donors. We the taxpayers are entitled to receive information about those entities, as are federal and state governments.

The State Bar of California, which opposes AB 624, says the bill would not improve corporate governance, but probably weaken it. Where did these lawyers go to school? Surely not where rules of evidence are an important part of the curriculum.

The evidence that many scholars, researchers, and nonprofit leaders have collected to date show:

- The composition of boards does make a difference in the missions, policies, and practices of their organizations. The perspectives of board members do inform the values and vision of the foundations and nonprofit groups they oversee.
- Foundations led by minorities tend to give more to minority groups than those led by whites.
- Diverse organizations often outperform homogeneous ones.
- Sound data permit organizations to formulate their priorities and strategies more effectively than those without such information.

Opponents of the California legislation say that the collection of information required by the bill would be too costly and place too great an administrative burden on foundations, deflecting resources from their primary task of grant making.

Yet many of these same organizations are demanding more evaluations and more statistics from both their grantees and their own organizations — efforts that cost a lot of money.

That they are opposing the collection of essential data directly related to their work and the public interest seems a bit ironic. These foundations and their grantees do have the capacity to provide this information. It is part of their obligation as competent, publicly accountable grant makers.

Northern California Grantmakers, an association of foundations, and the Council on Foundations have said the bill is not necessary, because they have already begun an independent research study of foundation diversity, are creating a nonprofit advisory body to review the research and make recommendations to foundations, and will take steps to open a dialogue between minority leaders and philanthropic representatives.

That is a step in the right direction, but it is not good enough.

The proposed independent study in California plans to collect and disclose only aggregate information about foundations but disclose little or no data about individual foundations.

Aggregate data can mask the performance of many poorly performing institutions. We need research that reveals the performance of every foundation in the study.

More important, one-shot research studies, however sound, are not a substitute for the continuous collection of data, which would reveal changes over time and provide updated information needed to inform both grant makers and the public.

A genuine dialogue between grant makers, minority and other nonprofit groups, and members of the public is long overdue. But it should be a real partnership extending far beyond the foundations that are currently involved in opposing the California legislation and the Greenlining Institute. It should be inclusive, including broad participation in the development of the research instruments.

The priorities of foundations have not changed perceptibly in the past two decades.

Only a very small percentage of the money they distribute annually goes to organizations representing minorities, low-income people, the disabled, and other vulnerable people. That is a national disgrace, staining the otherwise notable record philanthropy has achieved in sustaining our civil society.

The legislation pending in California by itself will not correct this appalling state of affairs.

But it would provide the public and the foundations, at least in California, with a more accurate picture of the extent of diversity at foundations and their grantees. Armed with this information, as well as their growing awareness of the problem, foundations hopefully will begin to take much more seriously their responsibility for adequately supporting what has now become the majority of Americans.

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This article is based on a presentation Mr. Eisenberg made at a discussion sponsored by the Hudson Institute's Bradley Center for Philanthropy & Civic Renewal, in Washington. A full transcript of the center's discussion, with three other philanthropy experts, is available online at <http://pcr.hudson.org>.

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