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## **THE CHRONICLE OF PHILANTHROPY**

**THE NEWSPAPER OF THE NONPROFIT WORLD**

### *Why Foundation Grants Shouldn't Mix With Politics*

**By Pablo Eisenberg**

In October the Boston Foundation pledged \$1-million to help the city of Boston raise enough money from private and nonprofit sources to sponsor the 2004 National Democratic Convention.

The award, rare if not unprecedented for a community or private foundation, raises a number of serious questions about the appropriateness of such a grant. Should a tax-exempt institution give money for a partisan political event or activity, thereby endangering the credibility of that foundation? Don't more-suitable, needy nonprofit causes exist, especially in these economically difficult times, that deserve to be higher priorities than political conventions? Could such a grant set a bad precedent for other foundations to follow?

The city's fund-raising campaign for the convention, led by Boston Mayor Thomas Menino and Senator Edward Kennedy, also enlisted the support of such groups as the Barr Foundation, which pledged \$250,000 to underwrite arts activities during the convention, the nonprofit Blue Cross and Blue Shield of Massachusetts, which will donate \$1-million, and State Street Corporation, whose foundation will also contribute \$1-million.

The grants are contingent on the receipt, from the Internal Revenue Service, of tax-exempt status for the convention's nonprofit arm, Boston 2004, which is controlled by the mayor's office. The groups have declared that their money would not go to political activities or causes, but rather be used for economic, education, and cultural programs tied to the convention.

In a letter sent to various people who questioned the appropriateness of the grant, Paul Grogan, president of the Boston Foundation, said the grant was made "primarily on the basis of the economic impact the convention will have, both short-term and long-term." He added that "the working poor, immigrants, and minorities are populations that historically are of special concern to the foundation. It is precisely these groups that are most heavily represented in the service industries that will benefit most from a major convention."

Mr. Grogan acknowledged that the foundation's board engaged in a spirited debate before deciding to make the grant. Still, he said, putting \$1-million toward the convention, rather than spending it directly on the foundation's traditional grantees, is worth the risk. He was emphatic in asserting that the money would not go into a general pool of funds collected by the city to support the convention, but would be used specifically to help strengthen minority businesses and economic-development projects. Boston's mayor promised to honor that priority, Mr. Grogan said, although it is not yet clear what mechanisms will be in place to ensure the foundation's money will be used as intended.

Mr. Grogan also said that support for the convention would enable the foundation to gain a higher profile in the Boston area and make it easier to raise money from big donors.

The Rev. Ray Hammond, chair of the foundation board, said in an interview that the grant was an opportunity for the foundation to help catalyze economic development in Boston and set a standard by which foundations in other urban areas could be involved in big, broad events that spur economic development, such as commercial conventions, civic celebrations, and political gatherings.

Both Pastor Hammond and Mr. Grogan, who is widely believed to harbor political aspirations, insisted that Democratic partisanship had not played a role in the foundation's decision. "We would have made the grant had it been the Republican National Convention," Mr. Grogan said, a point echoed by the pastor.

The Boston Foundation's commitment to the convention does not appear to have caused serious concern in the Boston area. If anything, a number of academic, nonprofit, and other observers think the award is a good one that can help the city.

Still, some nonprofit and community representatives, who did not want to be named, are critical of the grant. They argue that, at a time of increases in hunger, homelessness, and poverty, the \$1-million could have been better spent on direct benefits for low-income and minority recipients and on an array of other social services, including low-cost housing and job-creation and -training programs. Some say that investments in long-term economic-development projects, rather than short-term convention activities, would do the most good for the poor. Others say foundations should avoid supporting political activities, especially at the expense of the needy.

Of the several dozen nonprofit officials and observers interviewed for this column, John Bonifaz, executive director of the National Voting Rights Institute, in Boston, was the only one willing to speak for attribution. He said the grant to Boston 2004 is "too closely tied to overtly partisan political activity," and that "even the appearance of political partisanship can undermine the credibility of philanthropy."

The Boston Foundation's decision, no doubt, was made all the more difficult by the aggressive fund raising for the convention by the mayor and Senator Kennedy. But a few foundation representatives from the Boston area said that, had their foundations been asked to contribute to the convention, they would have turned down the requests. They said they believe their guidelines preclude political events. They also said there were more important projects and charities to support.

Besides the Boston Foundation's decision, philanthropic support for the Democratic Convention has some other questionable elements worth noting. The State Street Corporation channeled its donation through its tax-exempt foundation, not as a direct business expenditure from the corporation. One possible reason for following this approach is that the bank can draw on accumulated foundation money rather than spend new corporate funds. The choice, however, could reduce the amount of money that otherwise would go to charities that serve the needy in the Boston area.

The more serious question that State Street's approach raises is whether tax-exempt funds of corporate foundations should be used to finance political events. While it is common for corporations to give money to politicians and political parties, they normally do so with taxable funds, accounting for the donations as business expenses.

No doubt, corporate-foundation grant making is motivated largely by self-interest and the bottom line. But that is different from using philanthropic funds to respond directly to politicians in whose jurisdictions a corporation is competing for business. Taxpayers should not be supporting that kind of corporate self-interest.

In 2000, the California Community Foundation, the community foundation for the Los Angeles area, gave a \$25,000 grant to the mayor's office to help recruit and train volunteers for the Democratic National Convention. The city requested \$100,000, but the foundation board felt that amount was inappropriate. That grant appears to be the only precedent to the Boston Foundation's award.

What, if any, are the long-term implications of the Boston Foundation grant for philanthropy? Is it a unique opportunity to improve the economy of a major city and the visibility of the foundation? Or is it merely a large amount of money that Boston could have raised another way? Could it set a precedent for community and other foundations that want to extend their civic and political influence? What if 10 or 15 other foundations decide to make large contributions to partisan political events? Wouldn't that endanger foundations at large? Doesn't the grant draw too fine a line between politics and philanthropy?

If foundations want to support partisan political activities and events at the national, state, or local levels, they should realize the potential consequences that such grant making may bring. After all, donors to foundations receive

tax benefits because those institutions support a range of nonprofit programs and activities, including advocacy as well as services and research, not because they help support or conduct political activities. The latter could lead to increased government intervention and regulation.

Nor should we forget that the Ernest Istooks of this world -- a reference to the Republican representative from Oklahoma who unsuccessfully sought to bar from political activism tax-exempt groups that receive federal money -- are still lurking in Congress, waiting for the opportunity to pounce on the so-called liberal foundations and other nonprofit groups.

Foundations today face an enormous challenge in meeting the country's most urgent public needs. They don't have nearly enough money to meet the demands placed on them by charities and the public. They are cutting back on money for their grantees and refusing to support new programs and projects. They should continue to channel their grants to charitable and educational activities. The last thing they should do is wade into the swamp of politics at the expense of tackling important social problems.

The Boston Foundation made a tough and risky decision that it believes will help the city of Boston. Hopefully, it will. But it would be foolish in the long run for other foundations to follow suit.

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