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Every Dollar Spent

As a private foundation prepares to close after 10 years, its founder is urging others to follow its example

By ERIC FRAZIER

When the office-equipment manufacturer Steelcase Furniture went public just over a decade ago, the deal supplied its major stockholder, John Hunting, with the financial muscle to endow his small foundation with \$100-million.

But instead of creating an endowment that would last forever, he ordered that every dollar be spent within 10 years. He wanted most of the money to be used to help environmental groups do a better job of promoting public policy, a task he felt was urgent and required as much money as possible before global warming and other threats were impossible to turn back.

"I was 68 years old. I had no children," he recalls. "I wanted to see the money spent in my lifetime."

This month, the New York fund expects to close its doors on a decade-long grant-making effort that its leaders credit with producing a long list of environmental-policy advances. But instead of fading quietly from the scene, the Beldon Fund and its founder have joined the long-running debate over whether foundations do more good by staying around forever or by spending all of their money in a short time and closing.

Spreading the Word

Mr. Hunting, now 77, argues that as the recession depletes foundations' assets, it is giving them a powerful new incentive to consider following the Beldon Fund's example.



John Hunting, founder of the Beldon Fund, says interest in time-limited foundations has increased as the recession has dragged on. "I don't feel like the lone ranger anymore," he says.

"Right now charities are hurting," he says. "Small foundations could help them get over this rough patch so they can go to the in-perpetuity foundations later on."

Beldon officials are working to get the word out. Anita Nager, the fund's executive director, says the organization has been discussing its experiences with other foundations. It has written a guide for other grant makers about how to run a fund that deliberately operates for a short time, and that document has become required reading for the boards of four or five foundations this spring, she adds. Mr. Hunting has been giving speeches to philanthropic groups about the subject, and says the interest level has risen as the recession drags on.

The fund's former chief executive, William Roberts, says he was hired in January as director of

U.S. advocacy at Atlantic Philanthropies, in New York, in part because his new employers are planning to spend all of their assets by 2020 and want staff members who are knowledgeable about that process.

“I don't feel like the lone ranger anymore,” Mr. Hunting says.

Ms. Nager, who took over from Mr. Roberts, says, “It's really sad to close down the shop. But it's done a lot of good.”

A Sense of Urgency

Few data are available to show how many foundations plan to operate for a limited time. But the Foundation Center in April released the results of a survey of nearly 1,100 family foundations that showed more than a third were uncertain about their life span or expected to close at a set time.

The report on the survey, conducted last summer, before the fall's stock-market meltdown, said that the idea of depleting a fund's assets is being discussed more these days in part because prominent philanthropists such as Bill Gates and Warren Buffett have avoided setting up foundations to operate in perpetuity, and also because many family foundations created in the 1980s and 1990s are facing transitions in leadership from the first to the second generation.

Mr. Hunting says today's thorny problems demand all the resources society can muster, and argues that new generations of philanthropists will crop up to confront the social ills of tomorrow.

Before the advent of the personal computer, “who would have imagined there would be a Bill Gates?” he asks. “I personally think any foundation should consider spending out. I believe in solving today's problems with today's money.”

His passion is the environment, so the Beldon Fund focused on strengthening advocacy groups so they could better influence environmental policy.

Foundations won't see any movement on their issues, he contends, unless they educate decision makers about the steps that need to be taken to protect the planet and mobilize the public to demand action on key environmental issues.

He hoped that by pumping big doses of cash into environmental-activism groups, the fund could

spark significant changes in its short time of operation.

The Beldon Fund's effort began with five grant-making programs, which supported charities that focus on global warming, religion and the environment, and corporate accountability. But Ms. Nager says an evaluation about two years after the fund started operating showed it was spreading itself too thin to make a difference within its 10-year window. She calls it a mistake other foundations must avoid if they plan to operate for a short time.

“We were in the all-you-can-eat buffet in the beginning,” she says. “We realized we needed to go to a prix fixe menu.”

The fund zeroed in on ways to ban harmful chemicals in consumer products and on environmental advocacy in five influential states it believed could help shift policy on the national level.

Embracing Risk

In Michigan, the fund directed more than \$500,000 a year into the state through the Michigan Environmental Council, a coalition of about 50 organizations with headquarters in Lansing.

Lana Pollack, the council's recently retired president, said the Beldon Fund financed efforts to persuade charities to join forces to influence public policy on chemicals, and supplied paid training in a variety of skills and disciplines, including fund raising, environmental case law, and communications strategies for reaching the public.

The fund also gave the groups an additional \$75,000 a year for three years to see if they could start a shared endowment.

“They were much less risk-averse than many foundations,” Ms. Pollack says.

With the Beldon Fund's help, the council raised a \$4-million endowment. Its budget, which stood at about \$320,000 annually in 1997, rose to about \$2.3-million last year. And the council takes credit for helping win approval of the Great Lakes Compact, an agreement to prevent the diversion of water from the Great Lakes. Ms. Pollack says Michigan's 2008 state law endorsing the compact is perhaps the strongest in any state bordering the Great Lakes.

“What [Beldon Fund officials] were doing was developing expertise that would outlast their funding,” she says. “There’s no doubt they gave us a big enough step up so that we became a much bigger player in a shorter period of time.”

Deadline Pressure

Ms. Nager said if the foundation had been set up to last in perpetuity, it would have been able to give no more than \$4-million annually in grants.

Instead, it awarded \$10-million to \$15-million per year.

Beldon officials say its short lifetime spurred them to take greater risks in grant making, but fewer with investing. With less time to absorb losses, the fund took a conservative investment approach, often investing money in bonds rather than stocks.

The organization wasn’t hurt as much as other foundations by last fall’s financial crash because its few remaining assets have been in cash for the past year and a half, “We look like real geniuses,” Ms. Nager says.

The 10-year deadline also heightened Beldon officials’ focus on helping grantees achieve concrete policy victories. That often meant the fund spent five to six years working with grantees rather than the two or three years perpetual grant makers often spend on a project before moving on. Ms. Pollack says even though her group knew the Beldon Fund’s money wouldn’t last forever, it came in such sizable amounts that it helped in recruiting strong staff members and building the organization’s infrastructure for the future.

Ms. Nager and her predecessor, Mr. Roberts, say foundations with a limited lifetime must be willing to take bold action, even at the risk of failure.

“You really wanted to make a difference, and you didn’t have a lot of room for error,” Mr. Roberts says, recalling his decade with the Beldon Fund. “We tended to be much more aggressive about trying to back up and go in a different direction when things weren’t working.”

Grant seekers were often surprised by the welcoming reception they got when they pitched unconventional ideas. When officials at the Breast Cancer Fund, in San Francisco, asked for \$300,000 to start an effort to remove harmful chemicals from cosmetics, Ms. Nager says, even those making the pitch seemed skeptical about their chances of getting it.

“The question just seemed to hang in the air,” she says, “as if they were just throwing it out.”

But Beldon jumped in, making a one-year grant of \$325,000 in 2004. “It was like jumping off of a cliff,” Ms. Nager says. “It turned out to be a risk well worth taking.”

Today, more than 1,000 companies have signed the Breast Cancer Fund’s Compact for Safe Cosmetics, and California has passed a law that could serve as a model for legislation in other states.

Jeanne Rizzo, chief executive of the Breast Cancer Fund, said its victories couldn’t have happened without Beldon. After the foundation’s first grant, other funders offered support.

“We needed that anchor, like the anchor [store] at the mall,” she says. “We needed our Macy’s. Without that money, nobody else would have followed.”

But, Ms. Nager says, foundations must also be willing to learn and adjust quickly when taking risks backfires. Beldon officials thought Florida would be a promising state in which to build a strong environmental-advocacy network. But the state ultimately proved too large and its environmental groups too fractured to put together a cohesive statewide game plan. Beldon phased out its support after six years of disappointing results.

That case study, along with “lessons learned” summaries of other Beldon projects, can now be found on the group’s Web site. As the fund closes its operations, it is hoping others will take note.

“I do feel good about it,” Mr. Hunting says of the Beldon Fund experience. “I feel we made a difference.”



Beldon grants helped support public advocacy against chemicals in consumer products (left) and projects by the Michigan Environmental Council (above), which worked on issues related to land and water use and greener transportation options.

Giving Away Everything in a Decade: Lessons Learned

The Beldon Fund, a \$100-million foundation that was designed to give all its money away in 10 years and close, has offered the following suggestions to other grant makers:

- Learn quickly, make tough decisions, and cut losses as soon as possible. The set closure date means it is important to change course quickly when the fund makes mistakes.
- Conduct evaluations and use the results to refine approaches. Develop benchmarks of success, and assess progress by seeking outside views from people who are offered the chance to keep their names anonymous. Stay focused on a few causes. Better to start small and expand if needed.
- Be bold. Accomplishing change within a finite time span requires grant makers to develop or adopt innovative strategies.
- Tolerate risk. Taking chances can lead to breakthrough solutions, but not all bets pay off. Learn from those that don't and move on.
- Look for connections across grant-making programs. Let program goals dictate spending. Allocate assets to allow flexibility to respond to unanticipated grant-making opportunities or critical needs that may arise.
- Build fields, not just organizations. Hire staff members who can help attract others to the foundation's cause.
- Use all the foundation's resources - not just money. Share ideas, expertise, and access to other foundations with grant recipients.