Reflections on F.B. Heron's Grantmaking Program

Melvin L. Oliver
Dean, Division of Social Science and
Professor, Department of Sociology
University of California, Santa Barbara
Santa Barbara, CA 93106
Dr. Oliver's biography follows

October 16, 2007

Introduction

I have been asked by the F.B. Heron Foundation to comment on your future program directions and strategies. As a former national foundation executive, scholar and university administrator, I provide for you my reflections. On the whole, I am very impressed with what your Foundation has accomplished in the short time that you have been working to create and preserve wealth for low income populations and communities. Below I comment on both your core values and your current grantmaking focus. Within that discussion I embed a number of observations and recommendations that I hope the Foundation will find helpful during this time of reflection.

The Core Values Statement

The F.B. Heron Foundation's Statement of Core Values is a clear and powerful document. It presents the Foundation's core values as a response to three questions that many Foundations cannot easily answer – Who We Are? What We Believe? How We Do Our Work? To arrive at the ability to formulate such clear answers to these questions must have taken a great deal of discussion time with both the staff and the Board. While such statements are often most helpful to the grant-seeking community, this is also an important touchstone for the staff as they work to make the difficult decisions of what and whom to support. Finally, the statement is also helpful in situations where the Foundation's grantmaking may be questioned or challenged. The stronger the core values that under gird grantmaking decisions the greater the ability of Heron to legitimize both its general line of grantmaking and its specific grants. Below I provide some observations on all three aspects of the statement.

Who We Are?

I believe that the Heron Foundation has pioneered an incredibly powerful model of a Private Community Investment Trust. This model enables the Heron Foundation to partially deflect accusations of hypocrisy that are consistently, and I believe rightfully, charged against foundations that their grants and investments often work counter to one another. The very corpus that is used to provide grant resources come from investments that have helped to make and intensify the problems that grant monies are designed to address. With your PCIT model, a significant portion of your investment (approximately one quarter) is directed to mission, allowing Heron to make a greater impact than would be normally expected from a foundation of its size. With monies invested directly into organizations that are mission focused, the Foundation helps to build the capacity and contribute to the long-term growth and development of institutions, thus expressing a level of support and respect that goes beyond normal philanthropic intentions.

Nevertheless, I found no discussion of whether your investment portfolio, which is close to three-quarters of your assets, is invested in socially responsible investments (SRI). I am aware that this is a potential tradeoff, which might lessen returns over the long-term. However, I believe that many constituencies are demanding this from philanthropies that are engaged in social change. It might be helpful to clarify this in the Core Values Statement or in your Annual Reports.

What We Believe?
The Heron Foundation makes a strong case that self-help is the core value that it attempts to concretize in its grantmaking, increasing the ability of "People to take control over their lives and make decisions for themselves, their families and their communities" This lone focus on self-help may make invisible the public and private policies that are continually made that make it impossible or difficult for people to take control of their lives. I would like to see some acknowledgement that the foundation recognizes that in order for people to achieve true control over their lives there must be a policy environment that supports their aspirations as well as private decisions in business that make such a situation more likely. Otherwise, I find that the emphasis on 'self-help" is too likely to overemphasize individual attitudes, efforts and decisions without proper attention paid to the context in which they are shaped and constrained.

How Do We Do Our Work?
In terms of how you do your work, you espouse several important points of emphases:

- Core Support to promote effective change that demonstrate innovation and a track record of results
- A valuing of regional and national organizations that promote lessons learned, conduct R& D, and promote effective policies
- Support well-managed, "best-in-class" entities that can demonstrate social impact by applying practice-based meaningful methods of assessment
- Continual improvement in assessing the Foundation's effectiveness in deploying grantmaking and investment dollars
- Leveraging the Foundation's resources with others to "tell the story" that focuses on the means, methods and results of our (the Foundation's) PCIT activities
- Customer service (courteous, timely, respectful and clear communications) and cost effective operations that support PCIT activities

These are all excellent guidelines to insure a well run and effective PCIT. Let me comment on some of these.

Your focus on core support is an important value that is not often found in modern day philanthropy. This is crucial because project support tends to create booms and busts for struggling organizations that have yet to attain a regularized line of core funding. This one element will enable some organizations to accomplish much more than what a comparably sized project grant would enable. The emphasis on “innovation” and a “track record of results” places the Foundation squarely within the growing emphasis on accountability.

Implicit in your description of “how we do our work” is a theory of social change. Let me elaborate what I see as that implicit theory. By supporting community-based organizations that are “laboratories of change” with useful technical assistance, you hope to demonstrate that these organizations can have significant social impact in enabling people to control their lives. The lessons and best practices that are derived from these “best-in-class” organizations are researched and promoted by an array of regional and national organizations that feed back more generally to other community based organizations, leading to greater impacts and further demonstrations of effectiveness. In part, as a result of R&D that demonstrates effectiveness and impact, policies are implemented that promote a positive regulatory environment. This theory of change seems to be an “antiseptic” one, lacking in the “human” focus on social change. Most social change comes about because of “social pressure”, “social movements”, real live people demanding justice and remedies for their grievances. How does that fit in with your theory of social change? Usually, foundations explicitly accommodate that element by focusing on supporting an “advocacy” sector. Are the regional or national organizations that you speak of part of that advocacy sector? I think your own sense of what you are doing and the transparency to your constituencies may be further clarified by a more explicit consideration of this important element of social change.

The final set of elements in “how we do our work” focuses on the functioning of the Heron Foundation. The focus on “effectiveness” as a core value within the Foundation, the commitment to “continually improve” the deployment of your resources is once again, placing the Foundation squarely within the “accountability” movement that is taking place both within the non-profit and for-profit sector. Concomitantly, the focus on customer service will be a welcome message to the grant-seeking community. Too often, grant seekers face a set of bureaucratic hurdles in accessing foundation support. This is reflected in a lack of clear guidelines for grants, multiple and conflicting messages, and unexplained time lapses in evaluating and providing a final decision. Having systems in place that monitor and enable the Foundation to measure its effectiveness in this regard will provide a measure of palpable comfort to grant seekers who expect respectful and courteous interaction and a timely response to their requests.

My final comments in this section refer to the value that the Foundation expresses in regard to “telling the story” of the work. This is an important declaration. Many of your grantees view the Foundation as a partner, and as a partner they expect support that goes beyond financial resources. One important support is being able to have their work represented in ways that strengthen their voice and effect emerging and existing policy by amplifying their successes and challenges. Many of your grantees and members of your constituencies will not be able to voice controversial challenges and problems without being attacked and made vulnerable. The Foundation, in relative terms, can withstand attacks and has an independence that allows it to voice the more controversial aspects of the “means, methods and results” of their work. Thus I am somewhat baffled by the emphasis on “quiet leadership”. In the process of pursuing social change there are going to be moments when uncomfortable and unpopular truths need to be communicated and the Foundation should not shy away from being associated with these messages if it is truly a partner with its grantees. I am not suggesting that the Foundation be irresponsible in communications, on the contrary, it should be strategic and smart, but it should also be bold and brave in becoming “catalysts and educators” for the work of the Foundation. I will return to how the Foundation might do this in my next section.

Current Grant-Making Focus

The Heron Foundation advances its mission by supporting organizations that “help low-income people to create and preserve wealth to help them take control of their lives and make decisions for themselves and their families.” The focus on wealth creation is unique among foundations in the US. Some have focused on an “asset building” strategy which includes wealth as one of several assets, but this is the only Foundation which makes wealth-creation among the poor the focus of their work. The Foundation has focused on five wealth building strategies. They are:

- Advancing home ownership
- Supporting enterprise development
- Reducing the barriers to full participation in the economy by providing quality child care
- Increasing access to capital
- Employing comprehensive community development approaches with a strong focus on the wealth creation strategies

I want to pose several questions in regard to the Foundation’s grantmaking focus. Is wealth building still a legitimate focus for the Foundation to advance its mission? Are these wealth creation strategies the right ones to be pursuing? Are their additional areas that the Foundation should increase their focus on to be more effective?

The focus on wealth creation continues to be one of the most important methods to create self-sufficiency and to increase the ability of individuals, families and communities to control their own lives. The statistical portrait of the uneven distribution of wealth in the US has been firmly established and the conceptual understanding of the importance of wealth as a key indicator of life chances continues to be developed. The enduring racial, ethnic and immigrant disparities in wealth enables these strategies to potentially have an impact on racial inequality as well. Moreover, the continuation of a trend of withering social investment, whereby the cost of common goods is transferred increasingly to individuals and families, means that income can no longer suffice as the major basis of insuring access to such formerly socially subsidized goods as health care, education, safety and security, among others. Increasing access to wealth for low-income populations and communities, insuring the ability of those groups to leverage those assets, and protecting them from eviscerating policies and predators continues to be a legitimate set of goals that match the mission of the Herron Foundation.

In pursuing wealth creation the Foundation has identified five wealth-creation strategies. Four of these have strong face validity as wealth building strategies – homeownership, enterprise development, access to capital and comprehensive community development. It strikes me that the focus on child care, while a precondition for asset development, is not closely linked to asset building as a stand alone wealth building strategy. Instead, I see it is a precondition for successful asset building that could be incorporated in enterprise development and comprehensive community development. However, there is a strong argument to be made that asset building strategies while often directed at women, do not directly address the barriers that women face, chiefly among them, their oftentimes sole responsibility for child care.

Within the four effective wealth building strategies, I would want to see the Heron Foundation examine a range of efforts that work on the "preservation" side of asset building. This would include areas that range from insurance to creating effective legal ownership and transfer of assets (e.g., wills and living trust) as well as combating predatory lending. In fact, given the heavy negative fallout form the devastation of predatory lending, it would be effective to create a special fund to help incubate innovate programs that work with community based financial institutions whose job it would be to try to create "workouts" for low-income homebuyers who have the necessary motivation and a modicum of resources to maintain their homeownership under new terms. These innovations could serve as models for the mainstream financial sector and also create intermediary roles for community development financial institutions.

While the Heron Foundation primarily focuses on community based institutions that are engaged in direct service and the regional and national organizations that provide support for their work, I believe that in order to enable these organizations to be truly effective, there must be a corresponding emphasis on research and policy. I would even place this at the level of a common focus that cuts across the wealth building strategies. Each one of these strategies needs effective policy at the local, regional and national level. Direct service providers are usually not equipped to lead that effort, but certainly can contribute to it. What is needed are specialized grantees with the necessary technical, scholarly, policy and communication skills that can independently assess the successes and failures of the strategy, identify the policy needs that are necessary to successfully support it, and provide communications which adequately conveys the achievements, aspirations and needs of the area to publics at both the grassroots and the grasstops. I could envision the Foundation assembling a set of grantees with substantive expertise in the areas of the wealth building strategies whose job it would be to provide regular research and communication on what works and what is needed. Thus, this work could be linked to advocacy efforts for policy change and policy innovation. The Foundation could even initiate a communications strategy around these reports that would enable the Foundation to place in the "public square" the work of the Foundation in a way which is not self-aggrandizing but a contribution to public debate and advocacy for its underlying mission. It is with these communication products that the Foundation could be "brave" and "bold", partnering with its grantees on making their work accessible, both its successes and its failures.

In a revision of *Black Wealth/White Wealth* published last year, Thomas Shapiro and I pointed out some of the intrinsic tensions involved in a wealth based perspective on poverty reduction. I think they have relevance to your work and I note them for your reflection;

> How can wealth-based social policy impact the very poor?
>
> How can the process of building wealth be accelerated?
>
> What are the best ways to support low-income people in managing and protecting the wealth they build?
>
> Where does wealth building fit in the larger framework of community and economic development?

It appears to me that there is much that has been learned about these tensions derived from the work that the Heron Foundation has been involved with over the past fifteen years or so. I would hope that in the next phase of work for the Foundation that they will not leave these kinds of questions unanswered but attempt to learn from what their grantmaking has produced to provide information and when appropriate, answers to these kinds of "intrinsic" tensions in the wealth building process. This is an opportunity that I hope you will not allow to pass.

MELVIN L. OLIVER
Dean, Division of Social Sciences
Professor of Sociology
University of California, Santa Barbara
Santa Barbara, California

Melvin L. Oliver is Dean of the Division of Social Sciences and Professor of Sociology at University of California, Santa Barbara (UCSB). The Division of Social Sciences is the largest Division in the College of Letters and Sciences and includes twelve departments and programs and a broad array of interdisciplinary research centers. There are approximately 180 faculty members, 300 graduate students, and 5800 undergraduate majors in the Division. Professor Oliver brings to bear over 25 years of experience in both philanthropy and higher education.

Prior to coming to UCSB he was Vice President of the Asset Building and Community Development (Assets) Program at the Ford Foundation. This program helped to build human, social, economic, environmental, and interpersonal assets among poor and disadvantaged individuals and communities throughout the world. During his tenure at the Foundation, the Assets Program has developed pioneering grant initiatives such as the $50 Million Self Help-FannieMae program to secure home mortgages for 35,000 low wealth households and change the way banks evaluate applications for home mortgages, the American Dream demonstration on Individual Development Accounts, and the Leadership for a Changing World program to identify and support leaders, and to highlight the importance of leadership in improving people's lives.

From 1978 to 1996 he was a member of the faculty at UCLA, teaching at both the graduate and undergraduate levels. A popular and effective instructor, he has won numerous awards for teaching. In 1994, he was named both the California Professor of the Year for his "extraordinary dedication to teaching and commitment to students" and the winner of the Harriet and Charles Luckman Distinguished Teaching award from the UCLA Alumni Association.

An expert on racial and urban inequality and poverty, Dr. Oliver is the author (with Thomas M. Shapiro) of <u>Black Wealth/White Wealth: A New Perspective on Racial Inequality</u> (Tenth Anniversary edition published 2006), which has received the Distinguished Scholarly Publication Award from the American Sociological Association, the C. Wright Mills Award from the Society for the Study of Social Problems, and the award for the outstanding book on the subject of human rights from the Gustavus Myers Center. Most recently, he is the co-editor of <u>Prismatic Metropolis: Inequality in Los Angeles</u> which draws on a unique custom-designed survey of over 4,000 households and 800 employers. In addition, he has co-edited three other books and special journal issues, and he is the author of over 50 scholarly publications.

Dr. Oliver earned his B.A. (1972) at William Penn College in Iowa and his M.A. (1974) and Ph.D. (1977) in sociology at Washington University in St. Louis, Missouri. In 2004 he received a Distinguished Alumni Award from Washington University during its sesquicentennial year celebrations.

He serves on the Board of the Urban Institute in Washington D.C., PolicyLink, a member of the Advisory Board, The Division of Behavioral and Social Science and Education (DBASSE) at the National Research Council in Washington, D.C, is on the Advisory Board, The National Poverty Center at the Gerald R. Ford School of Public Policy, University of Michigan, Ann Arbor, and he is a Board Member of the McCune Foundation in Santa Barbara, CA.