

WHEN POLICY-ORIENTED FOUNDATIONS SUNSET

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About the Author



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From 1987 through 2006, Husock was director of case studies in public policy and management at Harvard University's Kennedy School of Government, where he was also a fellow at the Hauser Center on Nonprofit Organizations. His publications on the nonprofit sector have appeared in the *Wall Street Journal*, *National Affairs*, *New York Times*, *New York Times Magazine*, *Society*, *Chronicle of Philanthropy*, and *Public Interest*. Husock has written widely on U.S. housing and urban policy, including in his book *The Trillion-Dollar Housing Mistake: The Failure of American Housing Policy* (2003) and his monograph *Repairing the Ladder: Toward a New Housing Policy Paradigm* (1996). His work has also appeared in the *Journal of Policy*

Analysis and Management, *Philanthropy*, and *The Wilson Quarterly*.

A former broadcast journalist and documentary filmmaker whose work won three Emmy Awards, Husock serves on the board of directors of the Corporation for Public Broadcasting. He holds a B.A. from Boston University's School of Public Communication and was a 1981–82 mid-career fellow at Princeton University's Woodrow Wilson School of Public and International Affairs.

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Executive Summary

This paper explores the extent of time limitation, or “sunsetting,” by philanthropic foundations that support public-policy research, as well as the potential political implications of this spend-down. Specifically, the paper examines 64 U.S. foundations that have a record for funding research aimed at influencing public policy, focusing on the period 2000–2015. Based on their mission statements, 24 of these foundations have a left-leaning cast, and 28 are right leaning. Of the foundations that announced a decision to sunset during this period and/or began to spend down their assets, seven were identifiably on the left and eight were on the right.

While the numbers are nearly identical, sunsetting left-leaning foundations have larger assets (\$1.94 billion on average) than right-leaning public-policy foundations (\$238 million on average). Moreover, left-leaning policy foundations *overall* have far greater assets (\$38.38 billion) than right-leaning policy foundations (\$7.41 billion).

Because sunsetting foundations spend more than otherwise in the short term, grantees of all sunsetting foundations stand to reap greater benefits in the short run. At the same time, assets held by right-leaning groups *overall*—thanks to the growth in assets held by those not sunsetting—have grown at a faster pace than assets held by left-leaning groups. The overall asset gap between the two, however, seems unlikely to close.

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Introduction

While charitable giving has a long pedigree in the United States, philanthropy by private grant-making foundations began in the early 20th century, with the establishment of such entities as the Carnegie Corporation in 1911 and the Rockefeller Foundation in 1913. By 1944, there were 505 foundations in the U.S., with an estimated \$1.8 billion in assets. In 1950, there were 1,000 foundations, with an estimated \$2.5 billion in assets. By 2012, there were 86,192 foundations in the U.S. (classified as independent, operating, corporate, and community), with assets of \$715 billion and giving of \$52 billion.

Trends in philanthropic giving have changed over time. Whereas the Rockefeller Foundation once targeted hookworm in the American South, today the Bill and Melinda Gates Foundation targets AIDS and malaria in Africa. In recent years, a small but influential—and, in some cases, well-endowed—group of foundations has become active in what Giving USA classifies as “public-society benefit” initiatives, including support for research and writing intended to influence government policy.

Such grant-making is a small part of the pie. Some 64 foundations direct their grant-making toward public policy. The value of such philanthropy was estimated by Giving USA to be some \$26.9 billion, or 7% of all philanthropy in 2015.¹

Yet such giving has become highly visible and, in the view of some, a significant influence on American political discourse. “For a century, foundations have been sources of private wealth for public purposes; they have committed great resources to address society’s ills—but they have remained wary of straying too close to the political sphere,” writes Andrew Rich. “Yet a notable portion of foundation spending—a growing portion for some foundations—is targeted almost directly at the political process. This spending is intended to win the ‘war of ideas’ under way in American politics. It supports research and advocacy that aims to influence how elected officials and the public think about a broad range of policies. This ‘war of ideas’ is fundamentally a battle between liberals and conservatives, progressives and libertarians, over the appropriate role for government.”²

Indeed, grant-makers involved in supporting public-policy-related research and writing tend to be divided into identifiably liberal and conservative camps, often as reflected in their statements of purpose. Major left-leaning grant-makers have included the Open Society Institute, Atlantic Foundation,³ and Ford Foundation—which has announced that it will “direct all of its money and influence to curbing financial, racial, gender, and other inequities.”⁴ Prominent right-leaning grant-makers have included the William E. Simon Foundation, John M. Olin Foundation, and Lynde and Harry Bradley Foundation, which is “devoted to strengthening American democratic capitalism and the institutions, principles, and values that sustain and nurture it.”⁵

Time Limits: History and Trends

The rise to prominence of public-policy-focused foundations has overlapped with, and been affected by, a tradition of spending down foundation assets and closing shop by a given date. As tracked by Duke University's Sanford Center for Strategic Philanthropy & Civil Society, at least 80 major foundations have, for the 100 years beginning in 1917, chosen to adopt what it terms "spend-down" status.⁶ These include one of the earliest major foundations, the Julius Rosenwald Foundation (1917–48), based on the Sears, Roebuck fortune, which famously helped fund education for African-Americans in the American South. More recently, the Bill and Melinda Gates Foundation, currently the largest by assets (\$38.38 billion) in the U.S., is slated to sunset 20 years after the death of its founders. However, many of the most prominent U.S. foundations—including Rockefeller, Ford, and Carnegie—are governed by self-perpetuating boards of directors and, barring a decision to change, are understood to continue in "perpetuity."

The trend toward time limitation or spend-down appears to be a regular feature of American philanthropy and one that is becoming more common, based on the number of foundations in the post-World War II era (1948–2016) that have chosen to sunset. Based on the Duke listing, plus two later, major sunsets (the Edna McConnell Clark Foundation and Searle Freedom Trust), some 20 major foundations established in the 30 years between 1948 and 1978 chose to sunset, and some 42 have chosen to do so in the period since. The fact that the Bill and Melinda Gates Foundation chose to time-limit can be understood as having signal importance. So, too, is the Edna McConnell Clark Foundation's decision in 2016 to sunset: this foundation is among the nation's leading supporters of social-services organizations and a field leader, helping to organize partnerships among major philanthropies.

The Time-Limitation Decision

Several major rationales are advanced for the decision to sunset. One is the desire to maximize philanthropic

impact and is typically a choice of the original donor(s). This view has been exemplified by Bill Gates, who, in announcing a time limit for the Bill and Melinda Gates Foundation, expressed the desire to distribute "as much as possible as soon as possible." Similarly, the Edna McConnell Clark Foundation, in announcing its decision to engage in "accelerating giving" (\$1 billion from 2017 to 2027), cited its understanding that the founding family did not "envision it as a perpetual foundation."

This approach differs crucially from that of foundations that distribute no more each year than what tax law requires: 5% of assets. Although tax law views such a distribution as a minimum (floor), it is widely viewed as a maximum (ceiling). Spend-down foundations are choosing a different path, often in search of heightened impact.

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Heightened impact is not the only motivation for time limits. Many foundations choose to sunset based on concerns about donor intent. One concern is that the original donor's intent can become a "dead hand" guiding philanthropy in

ways no longer relevant to a changed world. The other concern is that, over time and generations, successor family members or governing boards may direct grants in ways not in keeping with the priorities, or worldview, of founding donors.

Heather Higgins, president and director of the Randolph Foundation, has argued against perpetuity both because a donor's intent might not be respected—and because it might be.⁷ In arguing the latter point, she notes that a donor's "dead hand" may direct giving in a way that has become irrelevant to a world of changed needs. "Our time is but a dot at some point along a continuum. Some contemporary ideas will likely seem quaint or perhaps even barbaric 75 years hence, and then might enjoy a renewed vogue several centuries further on."

So, too, Higgins notes, a foundation may, in effect, be hijacked by successor generations or professional staffs who direct its giving in ways not in keeping with an original donor's intent. "As perpetual foundations age, they almost certainly come to be managed by individuals who are increasingly distanced from knowledge of and concern for the intentions of the founder.... [N]othing guarantees adherence to the donor's vision by the grandson who wants to use the foundation's resources for his own social status or the daughter who never agreed with her parents' political views."

This issue—that foundations’ grant-making has and will come to be guided by political or philosophical perspectives at odds with those of the original donor—has become a particular concern for public-policy-focused foundations, especially those generally classified as politically conservative. Martin Morse Wooster has cited the Carnegie Corporation, Ford Foundation, Pew Charitable Trusts, and MacArthur Foundation, which “continue to fund causes their donors would have opposed.”⁸ He writes in similar terms about two Rockefeller family philanthropies, in an essay whose title, “The Rockefeller Brothers Fund and the Rockefeller Family Fund: How a Great Capitalist’s Fortune Came to Fund Anti-Capitalist Causes,” neatly summarizes the case.⁹

Public-Policy-Focused Philanthropies and Time Limitations

Regarding the major public-policy-focused foundations that have made decisions to spend down their assets, this paper has sought to determine whether a disproportionate number of time-limited foundations can be found on one side or another of the political “war of ideas”—and what the financial impact of such decisions has been and might be.

Methodology

This paper identified 64 public-policy foundations, of which 52 had an evidently politically liberal or conservative cast. Right-leaning foundations were identified from a 2004 report (published by the National Committee for Responsive Philanthropy) on conservative public-policy foundations. In addition to those from the 2004 report, four additional major foundations were added: the Searle Freedom Trust, William E. Simon Foundation, John Templeton Foundation, and Adolph Coors Foundation. The list was checked against, and complemented by reference to, *The Right Guide*.¹⁰

*The Left Guide*¹¹ was the basic resource used to identify left-leaning public-policy foundations. This guide was supplemented by a review of philanthropic media through the Google News search function for media analysis and mentions of major liberal public-policy foundations.

Each of the 64 foundations’ websites was examined to determine whether their mission statements presented a left-leaning view or a right-leaning view and whether they categorized themselves as one or the other, or as neither (the latter would include those whose giving

was not predictably left or right, or those who supported policies focused on noncontroversial subjects such as drug abuse or increased college enrollment among disadvantaged students). Foundations that support charter schools, gun rights, religious causes, and principles of free markets and “liberty” were denoted as right-leaning; foundations that support prominent goals on the liberal agenda, including mitigating climate change, limiting fossil fuels, increasing use of renewable energy, single-payer health care, or legal activism, were denoted as left-leaning.

As noted, Duke University’s Sanford Center for Strategic Philanthropy & Civil Society maintains an active list, “Time Limited Foundations,” that reports on philanthropic sunseting decisions.¹² According to this list, during 2000–2015, 24 foundations were identified as left-leaning, and seven (Atlantic, Beldon, Columbia, Gill, Quixote, Richard and Rhoda Goldman, and John Merck) announced a decision to sunset, began spending down, or spent down their assets; 28 foundations were identified as right-leaning, and eight (Castle Rock, Claude R. Lambe, Danforth, Earhart, John M. Olin, Mustard Seed, Searle Freedom Trust, and William E. Simon) announced a decision to sunset, began spending down, or spent down their assets. The remaining foundations could be characterized as neither left nor right and were excluded from further examination. The **Appendix** has the full list of 64 public-policy foundations, their political coloration or non-coloration, and whether they are sunseting.

Public data from Internal Revenue Service 990-PF tax forms of 2000–2015, collected from the Foundation Center’s online tax-form (990PF) portal, provided information about individual, year-by-year disbursement of each foundation’s assets. All foundations must complete and submit such forms. From each form, “net asset holdings,” “contributions paid,” and “contributions received” sections can be extracted and put into panel form—in other words, organized in such a way as to compare their actions year by year, over the entire 2000–2015 period.

These data were used to determine how sunseting is affecting what might be described as the world of public-policy-foundation grant-making. Specifically, regression analysis (in which elapsed time is designated as the explanatory variable and assets are designated as the dependent variable) was employed to estimate the effect of accelerated spending on a foundation’s remaining assets. The details of these calculations are available upon request.

Conclusion

Right-leaning foundations that have decided to sunset are spending down (moving toward closing) at a more rapid pace than their left-leaning counterparts. The assets of left-leaning, sunsetting policy foundations declined 1.8% on average during 2000–2015 (a \$1.8 million decline in assets, based on this group’s average holdings of \$88.9 million). The assets of right-leaning, sunsetting policy foundations that have decided to sunset declined 4.2% on average (a \$3.1 million decline in assets, based on this group’s average holdings of \$59.4 million).

A sample of four such right-leaning foundations, Castle Rock, Claude R. Lambe, Danforth, and John M. Olin—chosen because they had already spent down or had sunset projections pre-2020—indicates that they disbursed assets at a rate of 15.5%, representing \$10.4 million per year of the group’s average \$67.1 million in assets. Had they instead spent 5% of their assets annually (the minimum required by law), they would have disbursed only \$2.46 million per year. By contrast, a sample of five left-leaning foundations, Atlantic, Beldon, Columbia, Richard and Rhoda Goldman, and Quixote, which have already spent down or had sunset projections pre-2020, indicates that they disbursed assets at a rate of 7.36% per year, representing some \$5.67 million per year of the group’s average \$77.0 million in assets.

**RIGHT-LEANING FOUNDATIONS
HAVE CHOSEN TO SUNSET AT A MORE RAPID PACE
THAN THEIR LEFT-LEANING COUNTERPARTS.**

Based on these results, right-leaning foundations that have chosen to sunset have made, in effect, several strategic leaps of faith. By accelerating spending, they can be said to have pursued, in sports-page terminology, a “win now” strategy, in which resources were marshaled in the hopes of near-term results. It is beyond the scope of this paper to assess whether this is a successful strategy. But it is worthwhile to add that, by accelerating spending, they can be said to have assumed that successor philanthropists with shared values will emerge, or that the need for such philanthropy will be overtaken by events.

It is not obvious how to gauge the political effect of foundation time limits. It is not entirely clear that public-policy research and

writing have any effect on policy; if there are effects, they may be indirect and long-term. Nor is the magnitude of grant-making itself necessarily a reliable indicator of impact. Based on this research, one can say with certainty that, at least in terms of available financial assets, left-leaning foundations will continue to have greater capacity than their right-leaning counterparts; but, to a modest extent in the short term, sunsetting has allowed right-leaning foundations to close the gap between them.

APPENDIX

Public-Policy Foundations

Foundation	Center-Left	Center-Right	Sunsetting ¹³
Adolph Coors Foundation		X	
Annie E. Casey Foundation	X		
Atlantic Foundation	X		X
Barbara and Barre Seid Foundation			
Beldon Fund	X		X
Bill and Berniece Grewcock Foundation		X	
Bloomberg Family Foundation	X		
California Endowment	X		
Carthage Foundation		X	
Castle Rock Foundation		X	X
Century Fund Trust			X
Charles Koch Foundation		X	
Charles Stewart Mott Foundation	X		
Claude R. Lambe Foundation		X	X
ClearWay Minnesota			X
Columbia Foundation	X		X
Corella & Bertram F. Bonner Foundation			X
Danforth Foundation		X	X
David H. Koch Charitable Foundation		X	
David and Lucile Packard Foundation	X		
Earhart Foundation		X	X
Eckerd Family Foundation			X
Edna McConnell Clark Foundation			X
Evelyn and Walter Haas, Jr. Fund	X		
F. M. Kirby Foundation		X	
Ford Foundation	X		
Gill Foundation	X		X
Global Partnerships			
Gordon and Mary Cain Foundation		X	
Heinz Endowments	X		
Jacobs Family Foundation			X
Jaquelin Hume Foundation		X	
John D. and Catherine T. MacArthur	X		

Foundation	Center-Left	Center-Right	Sunsetting ¹³
John Merck Fund	X		X
John M. Olin Foundation		X	X
John S. and James L. Knight Foundation	X		
John Templeton Foundation		X	
Lenfest Foundation			X
Lincy Foundation			X
Lynde and Harry Bradley Foundation		X	
Marguerite Casey Foundation	X		
McCune Charitable Foundation			X
Mustard Seed		X	X
Open Society Institute	X		
Philip M. McKenna Foundation		X	
Quixote Foundation	X		X
Randolph Foundation		X	
Richard and Helen Devos Foundation		X	
Richard and Rhoda Goldman Fund	X		X
Robert Wood Johnson Foundation	X		
Rockefeller Brothers Fund	X		
Roe Foundation		X	
Russell Sage Foundation	X		
Samuel Roberts Noble Foundation		X	
Sarah Scaife Foundation		X	
Scaife Family Foundation		X	
Searle Freedom Trust		X	X
Skillman Foundation	X		
Smith Richardson Foundation		X	
Taconic Foundation			X
W. K. Kellogg Foundation	X		
Walton Family Foundation		X	
William E. Simon Foundation		X	X
William H. Donner Foundation		X	

Endnotes

- ¹ See the 2016 infographic by Giving USA.
- ² Andrew Rich, "War of Ideas," *Stanford Social Innovation Review* (Spring 2005): 17–25.
- ³ The Atlantic Foundation is a grantee of the Atlantic Philanthropies.
- ⁴ Alex Daniels, "Ford Shifts Grant Making to Focus Entirely on Inequality," *Chronicle of Philanthropy*, June 11, 2015.
- ⁵ "The Foundation's Mission," Lynde and Harry Bradley Foundation.
- ⁶ Duke University, Sanford Center for Strategic Philanthropy & Civil Society, "Time Limited Foundations."
- ⁷ Heather R. Higgins, *Should Foundations Exist in Perpetuity? The Case for Limiting the Lives of Foundations* (Indianapolis: Philanthropy Roundtable, 1996).
- ⁸ Martin Morse Wooster, "Nation's Leading Foundations Violate Donor Intent: Foundations Funding America's Left Have Conservative Origins," Capital Research Center, *Foundation Watch*, Oct. 1, 2002.
- ⁹ Martin Morse Wooster, Capital Research Center, *Foundation Watch*, Jan. 18, 2005.
- ¹⁰ Derk Arend Wilcox, *The Right Guide: A Guide to Conservative and Right-of-Center Organizations* (Ann Arbor, MI: Economics America, 1997).
- ¹¹ Derk Arend Wilcox, *The Left Guide*, 2nd ed. (Ann Arbor, MI: Economics America, 1998).
- ¹² Duke University, "Time Limited Foundations."
- ¹³ Includes foundations with a public-policy portfolio that announced a decision to spend down, were actively spending down, or finished spending down in the 2000–2015 time frame.

Abstract

This paper reports on the extent of time limitation, or “sunsetting,” by philanthropic foundations that support public-policy research. Specifically, it examines 64 U.S. foundations that have a record for funding research aimed at influencing public policy, focusing on the period 2000–2015. Based on their mission statements, 28 of these foundations have a right-leaning cast, and 24 are left-leaning. Of the foundations that have announced a decision to sunset during this period and/or began to spend down their assets, seven were identifiably left-leaning and eight were right-leaning.

While these numbers are nearly identical, sunsetting left-leaning public-policy foundations have larger assets (\$1.94 billion on average) than right-leaning public-policy foundations (\$238 million on average). Moreover, left-leaning policy foundations overall have far greater assets (\$38.38 billion) than right-leaning policy foundations (\$7.41 billion).

But right-leaning foundations that have decided to sunset are spending down (moving toward closing) at a more rapid pace than their left-leaning counterparts. In effect, the right-leaning foundations that have chosen to sunset have made, in effect, several strategic leaps of faith. By accelerating spending, they can be said to have pursued, in sports-page terminology, a “win now” strategy, in which resources were marshaled in the hopes of near-term results. It is beyond the scope of this paper to assess whether this is a successful strategy. But it is worthwhile to add that, by accelerating spending, they can be said to have assumed that successor philanthropists with shared values will emerge, or that the need for such philanthropy will be overtaken by events.