

The Foundation Review

Volume 3 | Issue 4

Article 4

1-1-2011

The Education Collaboration Fund: Possibilities and Limitations of Pooled Funds

Lisa Philp
Foundation Center

Follow this and additional works at: <http://scholarworks.gvsu.edu/tfr>

Recommended Citation

Philp, Lisa (2011) "The Education Collaboration Fund: Possibilities and Limitations of Pooled Funds," *The Foundation Review*: Vol. 3: Iss. 4, Article 4.

DOI: 10.4087/FOUNDATIONREVIEW-D-11-00018

Available at: <http://scholarworks.gvsu.edu/tfr/vol3/iss4/4>

This Article is brought to you for free and open access by ScholarWorks@GVSU. It has been accepted for inclusion in The Foundation Review by an authorized administrator of ScholarWorks@GVSU. For more information, please contact scholarworks@gvsu.edu.

The Education Collaboration Fund: Possibilities and Limitations of Pooled Funds

Lisa Philp, M.B.A., Foundation Center

Keywords: pooled fund; learning circle; community of practice; school reform; Investing in Innovation; public-private partnership; giving circle; donor collaborative; venture philanthropy

Key Points

- Raising money for a pooled fund is time consuming and requires expertise with the funding topic and the target audience. Yet the process of shopping around a pooled fund or collaborative concept can be valuable in its own right, even if most do not participate.
- Shared interest around a topic or community is a necessary but insufficient reason for participating in a pooled fund. A pooled fund provides an opportunity for individuals and family foundations to learn and grow as donors.
- Someone with passion, organizational skills, and persistence needs to drive the process forward or it will likely fall by the wayside. The gap between “emerging” and “organized” philanthropy is real, but may be ameliorated through technology.
- Vehicle choice is straightforward: The underlying public charity and administrative processing can be handled by a donor-advised fund at a community foundation or federation, financial services firm, or intermediary.

Introduction

Wealthy donors and their family foundations often solicit funds for causes through their social networks and occasionally join forces around the development needs of a particular institution. But the incidence of pooled funding among major donors to support promising models with large gifts is much more limited.

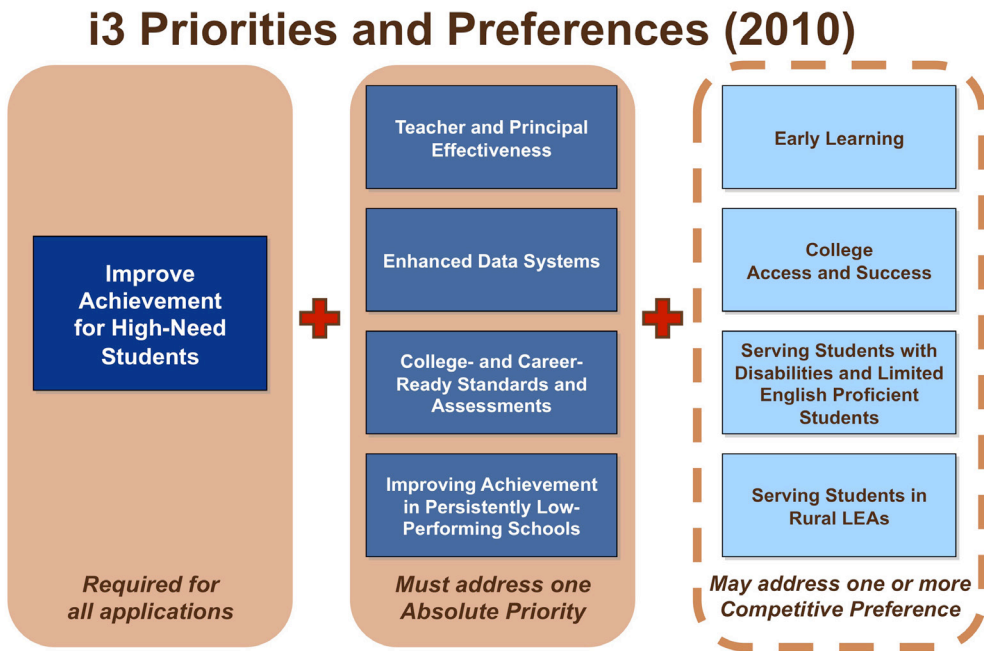
The launch of the U.S. Department of Education’s Investing in Innovation (i3) program in 2010

provided a special opportunity for collaboration and cross-sector approaches. This \$650 million, five-year grant program attracted applications from more than 1,600 education organizations and local school districts in the priority areas of effective teachers and principals, improved data, standards and assessment, and turn-around schools. When i3’s 49 highest-rated applicants were announced in August 2010, each group had 30 days in which to raise an all-or-nothing, 20 percent private-sector match commitment.

After extensive education and cultivation of philanthropists on the characteristics of i3 – competitive marketplace of ideas, evidence-based approaches, and five-to-one leverage – a philanthropic advisor created the Education Collaboration Fund (ECF), a pooled fund to support a portion of the top scorers. The advisor vetted i3 winners based upon the quality of the project design, evidence and evaluation, capacity, financial review, and need for a match. Impressed with i3’s model and the additional due diligence, a small group of donors with family foundations provided more than \$5 million in new, flexible money to support projects working in 16 states and the District of Columbia, leveraging \$145 million in public funds.

By providing a detailed case study of the ECF’s path from idea to execution, this article will describe the possibilities and the limitations of pooled funds as tools for increasing the impact of major donors and family foundations.

FIGURE 1 Investing in Innovation (i3) Program's Absolute Priorities and Competitive Preferences



Source: U.S. Department of Education.

Summit on U.S. Education

In March 2010, a financial services firm hosted a Summit on U.S. Education featuring U.S. Secretary of Education Arne Duncan, senior staff from the Bill & Melinda Gates Foundation, and a panel of major donors who focus on education.

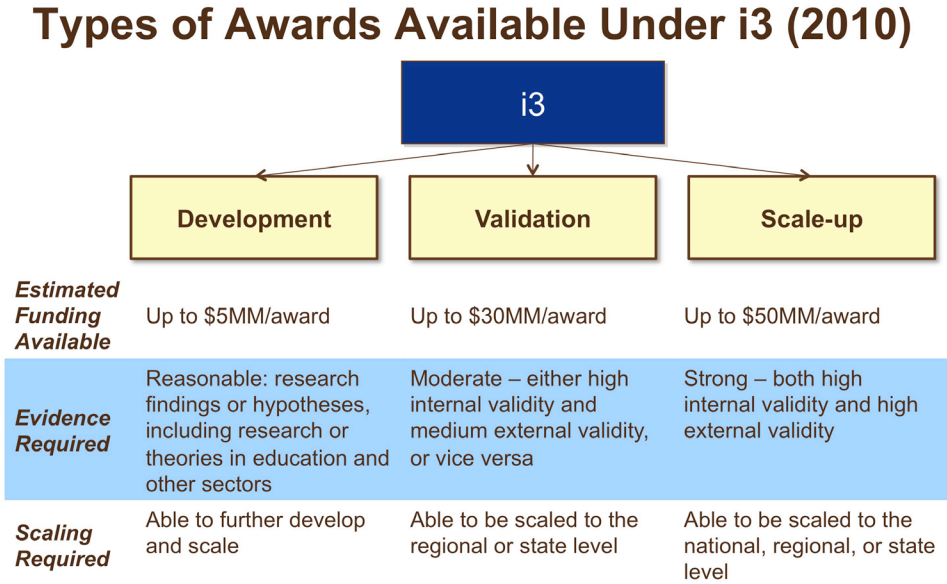
In the week before this event, each day brought news on education reform. President Obama unveiled his administration's blueprint to overhaul No Child Left Behind, the current version of the Elementary and Secondary Education Act, and encouraged reauthorization by Congress. The National Governors Association and the Council of Chief State School Officers released a draft of the Common Core Standards, uniform K-12 guidelines for what the nation's public school students should learn in English and math. Race to the Top, a \$4.35 billion pool of competitive grants to encourage and reward states to lead the way on educational reform, was top of mind as the first-round finalists were announced. Tucked amid all this was Duncan's release of the final guidelines and application for i3.

Eighty-three donors with an estimated philanthropic capacity of \$80 billion attended this summit; most conduct their philanthropy through unstaffed or lightly staffed family foundations. In an audience poll, 81 percent of the guests identified public-private partnerships as the most critical role of the private sector in education reform, and 78 percent chose a focus on teachers and principals as the best way to improve student outcomes. In his keynote speech, Duncan highlighted the importance of philanthropy in seeding innovation and leveraging public funds. He noted a longtime pattern in the education field of money following failure, and called for a paradigm shift to "money following success." Wanting to build upon the energy and enthusiasm in the room, a philanthropic advisor at the host firm sought opportunities for collaboration that would resonate with this group of wealthy donors.

Background on i3 Application Guidelines

Established as part of the American Recovery and Reinvestment Act of 2009, the i3 program of the U. S. Department of Education (DOE)

FIGURE 2 i3 Grant Awards by Level of Evidence



Source: U.S. Department of Education.

was designed to expand innovative practices in education to improve student achievement, close achievement gaps, decrease dropout rates, increase high school graduation rates, and increase college enrollment and completion rates.

In this first round of i3, applicants were asked to submit proposals and evaluation plans by May 12, 2010, focused on one of four absolute priorities for high-need students. (See Figure 1.) The i3 notice also established four competitive preferences aligned with DOE’s reform goals. School districts and nonprofits applied for one of three tiers – scale-up, validation, or development – based on the level of research evidence available for their program model. (See Figure 2.)

The DOE recruited a cadre of independent reviewers with subject matter and evaluation expertise to assess and score the applications with a goal of completing the review by mid- to late summer.

Role of Large, Staffed Foundations

The evolution of the i3 program was tracked by a segment of the national and regional foundation community, but flew under the radar of

major donors and small family foundations. In its original i3 design, DOE required applicants to demonstrate a 20 percent private-sector match at the time they applied. During the comment period, many foundation staff members observed that this requirement would favor organizations that were already well known and funded and ran counter to the idea of emerging innovation across the country. In the final notice, i3 was modified to allow for a match to be raised after notification of highest-rated status. This created a new challenge, however: “Winners” would have only a 30-day window – during August, no less – to find all-or-nothing private matching grant commitments before the end of the federal fiscal year on September 30, 2010.

Recognizing the role that private philanthropy has played in seeding innovation in public education reform and its interest in helping grantees leverage public funds, DOE originally hoped that a consortium of large foundations would pool resources for the i3 private-sector match in advance of the selection process. Instead, several of the large national foundations planned for i3 by conducting a parallel vetting process of applicants, adopting streamlined procedures for board ap-

proval during a time when boards don't typically meet, and putting aside funds for grantees that made the cut. In the end, large foundations were critical to the success of the i3 matching-grant requirement, but each individual organization followed its own guidelines and approval processes and made its grants directly to their grantees.

A Growing Trend of Giving Circles

Building on self-help traditions that stretch back hundreds of years, giving circles have emerged in recent decades as pooled-fund approaches for individual donors to share their money, skills, and ideas. Women's funds began experimenting with this form of "friend-raising" as they began to form in the 1970s and, by the 1990s, public foundations such as the Ms. Foundation for Women and the Global Fund for Women had created formal donor circles.¹ Social Venture Partners (SVP) was launched 15 years ago in Seattle to strengthen nonprofit organizations and nurture philanthropists as engaged and effective givers through a multiyear, pooled-fund model that includes grants and shared expertise. As of July 2011, there were 25 SVP affiliates and 2,000 partners (donors) in the U.S., Canada, and Japan.² The Forum of Regional Associations of Grantmakers hosts a giving-circle knowledge center on its website and commissioned survey research that found that giving-circle participants say they give more, give more strategically, and are more knowledgeable about nonprofit organizations and problems in communities.³ More recently, Asian Americans/Pacific Islanders in Philanthropy has embraced a giving-circle incubation approach to achieve its community philanthropy goals.⁴

The prototype for most of these giving-circle/pooled-fund models is fundraising from many at a level of a few hundred to several thousand dollars annually. Examples of pooled funds where the

price of entry is a six- or seven-figure gift are hard to find despite tremendous philanthropic capacity. What caused a philanthropic advisor to believe that a pooled-fund model at that scale could work for high-net-worth donors and their family foundations? And if this example succeeded, might it be a template for raising new funds for other key issues and a way to connect "emerging" (major donors and unstaffed family giving) and "organized" philanthropy (staffed foundations)?

Although there was a palpable desire to seize the moment to help improve the lives of children, an overarching topic or geography did not emerge as a logical rallying point for collaboration.

"Money Following Success"

Hailing from 17 states and the District of Columbia, Summit on U.S. Education attendees came interested in an array of topics: improving the quality of public education, reaching children at early ages, offering alternative school models including charters and community schools, focusing on advocacy and building political will, implementing college-preparatory curricula, and providing support through in-school, after-school, and summer programs. Although there was a palpable desire to seize the moment to help improve the lives of children, an overarching topic or geography did not emerge as a logical rallying point for collaboration. Among the audience, the experience level ranged from philanthropists who were new to field of education to those who had been funding key education reform issues in their communities for decades.

Shortly after the summit, the philanthropic advisor recognized that several characteristics of the i3 program might be appealing to major donors and family foundations seeking impact. These included:

¹ See the recent Women's Funding Network report on Donor Circles: http://www.womensfundingnetwork.org/sites/wfnet.org/files/donorcircles_sharedgiving.pdf

² See the website of Social Venture Partners International: <http://www.svpi.org/our-members>

³ See the recent Forum of Regional Association of Grantmakers' research on giving circles: http://www.givingforum.org/s_forum/bin.asp?CID=611&DID=25090&DOC=FILE.PDF

⁴ See Asian Americans/Pacific Islanders in Philanthropy's website: <http://aapip.org/givingcircles>

This segment of the philanthropic community was not familiar with other resources developed to facilitate collaboration and new capital markets for education reform. Examples include pooled funds created by community foundations and national venture intermediaries focused on social and education entrepreneurs.

- *Competitive marketplace of ideas.* Rather than dictating a specific program model, i3 provided four priorities and asked applicants for their best thinking. Abstracts of all applications were made available on the DOE website, allowing for transparency and visibility for educational innovators across the country.
- *Evidence-based approach.* Applicants could apply for scale-up, validation, or development grants based on the level of research evidence for their approach. This tiered model provided entrée points for donors focused on replication at different levels. Meanwhile, each i3 grant award included a rigorous evaluation. In six years there will be a treasure-trove of assessment data that will not only help the individual organizations being evaluated, but also advance knowledge in the field.
- *Five-to-one leverage.* In order to draw down the full DOE grant award, the highest-rated applicants had to demonstrate a mandatory 20 percent private-sector match. With an all-or-nothing rule and a 30-day timeline, the stakes were high. Yet this also provided incentive for collaboration among family foundations and individual donors in support of i3 winners, since a modest investment would be leveraged five times over by public funds.

The advisor drafted a concept paper on the creation of a pooled fund for wealthy donors that would raise new funds in \$1 million increments for the private match needed by i3 winners. Donors would be encouraged to separately provide direct matching support to top-ranked groups they already know and support, but also to consider going above and beyond this to provide funding for a vetted group of development and validation applicants. Working closely with a passionate and visionary education donor who oversees a small, unstaffed family foundation as well as with officials at DOE, the advisor shared and refined the idea after discussion with bank, foundation, and intermediary colleagues.

Benefits of participation in the fund included access to a high-impact, public-private partnership on innovation in education; an annual meeting with DOE to build knowledge on federal policy; an exclusive learning community of ultra-high-net-worth individuals who are serious about U.S. public education reform; and experienced philanthropic advisors for support on education funding and other family philanthropy matters.

Moreover, the advisor suspected that the tight time frame might provide a needed sense of urgency to facilitate decisions. In the concept paper, she noted that the time line would work against the long lead-time typical of institutional philanthropy. Ultra-high-net-worth donors, especially those with interests in collaboration and the education paradigm shift of “money following success,” might be well positioned to make timely decisions in support of i3 grant recipients.

Field Testing a Pooled-Fund Concept with Individual Donors

Over the course of three weeks, the advisor contacted 45 wealthy donors – summit participants and others who fit that giving profile – to field test the idea of a time-sensitive, angel-investor fund to improve U.S. public education. She found herself educating these philanthropists about the i3 program and the broader concept of charitable pooled funds. She learned that unless the donor was a board officer of an organization applying

for an i3 grant, he or she was not aware of this DOE program. Moreover, this segment of the philanthropic community was not familiar with other resources developed to facilitate collaboration and new capital markets for education reform. Examples include pooled funds created by community foundations and national venture intermediaries focused on social and education entrepreneurs such as Growth Philanthropy Network, New Profit, NewSchools Venture Fund, and SeaChange Capital Partners.⁵

Many were deeply appreciative that the firm was devoting resources to educating donors about high-impact, high-leverage opportunities and striving to help innovators working with children to achieve their goals. This conversation about a well-designed government program and the desire to build upon it was a stepping stone for many informative philosophical and practical discussions about the role of family philanthropy.

All but two of the 45 individuals were receptive to the pooled-fund idea. However, more than half of these 43 donors said their focus in education was restricted to their own community or to a specific population or set of organizations. Of the 20 that expressed interest in learning more, 13 donors and their families were available for a follow-up meeting in Washington, D.C., to focus on the nuts and bolts of i3 and to brainstorm about criteria for a pooled fund.

Questions Answered, Who's In?

Jim Shelton, assistant deputy secretary for innovation and improvement at DOE, conveyed the numerous strengths of the i3 process as well as its limitations. At the time of this gathering, the i3 application deadline had just passed and more than 1,600 groups had applied. The tiered approach to evidence levels and the elimination of the need for a match before applying helped bring many promising new groups and innovative school districts into the process. Shelton noted that if those applicants made it through the inde-

pendent review process, they would face a challenge in August since many did not have board members able to write big checks. He welcomed additional vetting of the highest-rated groups by the philanthropic community and made it clear how important the private sector is to the success of a new discretionary federal grant program like i3.

A straw poll at the end of this follow-up session indicated near-unanimous support to proceed with a pooled fund that was flexible in terms of geography, age group served, and project model. The donors' concern was supporting high-impact, replicable, and scalable approaches that needed private support to meet the match requirement.

Many in the room focused on the possibility that an organization could make it through the highly competitive process yet still not receive a DOE grant if they didn't come up with the entire 20 percent match in August. Others were struck by the businesslike approach of the marketplace of ideas and the use of metrics, measurement, and leverage.

One donor summed up the day best when she said:

I started this process focused on my sweet spot – my issues, my groups, and my city. After today, I'm excited by the idea of learning about new organizations doing great work in areas of the country I don't know. This pooled fund can help open my eyes to new possibilities and expand my horizons. I'm in!

⁵ See the following websites of national venture intermediaries: <http://www.growthphilanthropy.org>; <http://www.newprofit.com>; <http://www.newschools.org>; and <http://seachangecap.org>

TABLE 1 What to Look for When Vetting Highest-Rated i3 Applications

Proposal-Review Rubric for Education Collaboration Fund			
Experience/qualification of applicant	Quality of project design	Evidence-based approach and quality evaluation	Budget review
Current capacity of applicant?	Is there a clear and compelling approach?	Is the innovation grounded in research literature?	Does the budget seem appropriate for what is being proposed?
Experience doing work described in proposal?	Is the timeline realistic?	Are there current examples of success that were drawn upon for this model?	Does the proposal effectively utilize existing resources and partnerships?
Clear management and staffing plan?	Is the innovation tied to overall school-reform needs?	Will the evaluation plan provide evidence needed to assess impact?	Does the group need the match?
Applicant managed a project of this scope before?	Are there scalable results?	Does the evaluation methodology utilize an appropriate mix of quantitative and qualitative measures?	
Clarity with regard to partner roles and responsibilities?	Are there clear methods for sharing lessons and best practices?	Is the proposed evaluator known and respected in the field?	
Overall financial stability?	Is the idea noteworthy?		

Source: Adapted from the Wallace Foundation

A straw poll at the end of this follow-up session indicated near-unanimous support to proceed with a pooled fund that was flexible in terms of geography, age group served, and project model. The donors’ concern was supporting high-impact, replicable, and scalable approaches that needed private support to meet the match requirement.

Role of Large, Staffed Foundations: Part 2

As the advisor’s phone calls were underway, raising awareness and gauging donor interest about the need to be ready to support i3 winners for a match, an announcement hit the mainstream and education presses: In late April, a dozen national foundations announced a combined commitment of \$506 million in 2010 for education funding related to innovation. There was confusion in the field related to this press release, given that the entire matching requirement for the i3 program added up to \$130 million (20 percent of \$650 million). The \$506 million reflected what each of the 12 foundations had planned to spend that year as individual institutions and did not reflect new funding or a pooled fund earmarked for i3.

Those participating foundations are the Annie E. Casey Foundation, Bill & Melinda Gates Foundation, Carnegie Corporation of New York, Charles Stewart Mott Foundation, Ford Foundation, John D. & Catherine T. MacArthur Foundation, Lumina Foundation for Education, Robertson Foundation, Wallace Foundation, Walton Family Foundation, William & Flora Hewlett Foundation, and W.K. Kellogg Foundation.

To address the time-sensitive need for new private-sector matching funds, the Gates Foundation and this group of foundations also launched the Foundation Registry i3, a password-protected web portal for education foundations to facilitate donor review of i3 applications. The registry proved invaluable to the philanthropic advisor for vetting, recommending, and finding funding partners for ECF donors and grantees during the brief matching period in the summer of 2010.

Criteria Set, Sustaining Interest

The 13 donor families left the Washington meeting jazzed about their foray into the federal policy

environment and the potential for public-private partnerships. Much progress was made in establishing criteria for this new pooled fund of major donors and their family foundations. The advisor summarized the process as follows:

- The potential grantee pool is i3 winners.
- The subset that this pooled fund will focus on is those that need to raise the 20 percent private-sector match. (If a winner already has the match lined up, this organization will not be supported by this pooled fund.)
- The philanthropic advisor will provide an extra layer of due diligence for pooled-fund donors across all four absolute priorities based on i3 ranking, an interview with the group's leadership by phone, and assessment of program quality, financial stability, and merit of proposal. Table 1 highlights the proposal-review rubric that was used in vetting applicants.
- She also will leverage due diligence conducted by foundations with expertise in education on behalf of the pooled-fund donors.
- Donors may choose to participate in this review process with the philanthropic advisor or await a written compilation of results.
- A conference call will be held with the donors in August to review recommendations and grant amounts and to develop success criteria for the release of future installments; a majority vote will rule.
- Working with a donor-advised fund, the philanthropic advisor will monitor program effectiveness and schedule meetings with donors to make decisions about the release of future installments based on the success criteria.

Meanwhile, all 1,614 applicants to the i3 program were encouraged to upload proposal narratives and project budgets to the registry, and 711 were available shortly after the May 12 DOE deadline. Foundations that grant at least \$1 million a year toward education were encouraged to sign up for the Registry; 46 foundations did so in the initial year. While some of the larger, staffed foundations like Wallace carried out a parallel vetting process with DOE so they could be ready with the groups they were interested in and match them with those that were highest rated, most didn't fully

engage with the registry until DOE posted the winners on August 4, 2010.

During June and July 2010, a challenge for the philanthropic advisor was maintaining donor enthusiasm while peer review was under way. Potential donors to a pooled fund were asked for a nonbinding commitment by email so that the advisor had a sense of the budget for matching grants. A decision was made to create the Education Collaboration Fund as a donor-advised fund (DAF) at a financial services firm. The process for setting up this account was streamlined and as simple as setting up a DAF for an individual. However, any DAF that made a multiyear pledge to a grantee must have the funds in hand up front. This point needed to be conveyed to all potential pooled-fund donors so that they recognized that a grant of \$1 million over five years had to be fully funded in 2010.

Any donor-advised fund that made a multiyear pledge to a grantee must have the funds in hand up front.

This point needed to be conveyed to all potential pooled-fund donors so that they recognized that a grant of \$1 million over five years had to be fully funded in 2010.

Vetting With Real-Time Transparency for the Donors

Within days of the early August announcement of the 49 highest-rated applicants, the registry staff posted 44 complete proposals for review and, within a week, the philanthropic advisor had read and reviewed all of them on behalf of the donor group. As she made decisions on which to investigate further and compared notes with other potential funders, she realized that this vetting process needed to adapt with the fluid nature of the i3 program:

TABLE 2 Pooled Fund Grant Recipients Categorized by Primary Strategy

ECF Grantees by i3 Absolute Priority	
AP1: Effective Teachers and Principals	
<ul style="list-style-type: none"> • Boston Teacher Residency, Boston, Mass. • Children’s Literacy Initiative, Philadelphia, Penn. (for work in Chicago, Ill., Philadelphia, and Camden and Newark, N.J.) • Fund for Public Schools/District 75, New York • Iredell-Statesville Schools, Statesville, N.C. 	
AP2: Use of Data	
<ul style="list-style-type: none"> • AppleTree Institute for Education Innovation, Washington, D.C. • Fund for Public Schools/School of One, New York • Take Stock in Children, Miami, Fla. (for work in Florida’s Broward, Highlands, and Monroe counties) 	
AP3: High Standards and High-Quality Assessments	
<ul style="list-style-type: none"> • National Science Resources Center, Washington, D.C. (for work in Houston, Texas; Indiana; and North Carolina) • Niswonger Foundation, Greeneville, Tenn. (for work in Appalachian communities in Tennessee) • Strategic Literacy Initiative/WestEd, Oakland, Calif. (for work in Indiana, Michigan, Pennsylvania, and Utah) 	
AP4: Persistently Low-Performing Schools	
<ul style="list-style-type: none"> • Boys & Girls Clubs of Greater Milwaukee, Milwaukee, Wis. • Jefferson County Public Education Foundation, Louisville, Ky. • New Schools for New Orleans, New Orleans, La. (for work in New Orleans and Memphis and Nashville, Tenn.) • Utah State University, Logan, Utah (for work in rural New Mexico) 	

- The August timing and vacation schedules precluded the group of donors from getting together in person to discuss the grant recommendations or to meet with potential grantees.
- Rather than starting with an established grants budget and a multi-month schedule for vetting, everything was in motion.
- During this accelerated review period, the philanthropic advisor’s thought process was shared every few days through a series of spreadsheets and emailed commentary for the donors as she learned more from foundation colleagues, the registry, and the highly rated i3 applicants.
- Trust and assessment of judgment was being built on an as-you-go basis.
- When a donor conference call was held to review and vote on grant recommendations, the final amount of the pooled fund was unconfirmed. In addition, several i3 applicants under review would require more or less funding based on the actions of various foundation staff and board members.
- Thus, the grant recommendation included on a simplified grant docket was based on “up to” rather than definitive amounts.
- Each ECF grant recommendation was a one-pager highlighting a summary and scope of the project; the case for making the match; i3 grant size, size of match required, and “up to” recom-

mendation; location; absolute priority and, if any, competitive preferences; and potential match partners.

Final ECF Docket

The final pooled-fund portfolio ranged from pre-school through college completion; encompassed 16 states and the District of Columbia; included urban, suburban, and rural communities; and featured all four i3 absolute priorities and a variety of compelling program models. (See Table 2 for a list of ECF grantees.)

Foundation colleagues who served as match partners typically had to limit their consideration along one or more of these categories (e.g., only reviewing programs in North Carolina or focusing on early childhood models in rural areas); a partial list of these collaborators is included in Table 3. With a broader mandate and precious flexibility, the ECF had an outsized impact in helping about 30 percent of i3 applicants get to the finish line. In a few cases, the “up to” amounts that were approved enabled the ECF to be the final piece of support to complete a match.

In January 2011, the financial services firm hosted a gathering of the ECF grantees, donors, and foundation match partners in Washington. Also

TABLE 3 Partial List of Foundation and Corporate Supporters of Pooled-Fund Grantees

Examples of Match Partners for Grantees of the ECF		
National Foundations	Regional Foundations	Corporations
<ul style="list-style-type: none"> • Carnegie Corporation of New York • Annie E. Casey Foundation • Michael & Susan Dell Foundation • Ford Foundation • Bill & Melinda Gates Foundation • Hewlett Foundation • W.K. Kellogg Foundation • Rural School and Community Trust • Wallace Foundation 	<ul style="list-style-type: none"> • C.E. and S. Foundation, Kentucky • Fight for Children, District of Columbia • Golden LEAF Foundation, North Carolina • Hamilton Family Foundation, Pennsylvania • William Penn Foundation, Pennsylvania • Z. Smith Reynolds Foundation, North Carolina • W. Clement & Jessie V. Stone Foundation, California • Strategic Grant Partners, Massachusetts • United Way of Greater Milwaukee, Wisconsin • Victoria Foundation, New Jersey 	<ul style="list-style-type: none"> • Boeing Co. • Burroughs Wellcome Co. • Carolina Biological Supply Co. • Castle Learning • Glaxo Smith Kline PLC • Intel Corp. • JPMorgan Chase Foundation • Pearson Education • Performio Solutions Inc. • PNC Bank N.A. • Shell International • Teachscape

in the audience were a cross-section of major education philanthropists and family foundations from the capital region. As this was the first in-person meeting since the flurry of decision-making by email and phone in August, it was an opportunity to bring the i3 grantees and their work to life for the ECF donors and to introduce them to representatives of major education foundations. The potential for cross-fertilization of ideas was apparent as individual donors sat side-by-side with seasoned program officers and grantees.

Lessons, Challenges, Potential

The ECF case study provides an opportunity to draw lessons, identify challenges, and examine the potential of large-gift pooled funds as tools for strategic philanthropy and collaboration. This set of observations may be of interest to advisors at banks, law firms, accounting firms, and philanthropy consultancies, as well as fundraisers and grantmakers seeking new partners. While the Giving Pledge – the Buffett/Gates effort to invite the wealthiest individuals and families to commit to giving the majority of their wealth to philanthropy – has not gone down the path of pooled resources, it is possible that the themes below may offer insight should this option be explored.⁶

- *Raising money for a pooled fund is time consuming and requires expertise with the funding*

topic and the target audience. It involves a consultative sales process with extensive engagement and donor education. The fundraising funnel for a pooled-fund effort may be more extreme than for an individual organization. In the case of the ECF, 45 conversations led to 20 expressions of interest, 13 participants in a follow-up meeting, and seven major donors.

- *The process of shopping around a pooled fund or collaborative concept can be valuable in its own right, even if most do not participate.* More than 95 percent of the education donors contacted by the philanthropic advisor reacted positively to the concept of the pooled fund and appreciated the chance to learn about developments in the field. The advisor had a reason to engage in substantive conversations with donors about the role of private philanthropy, trends in education reform, and a tool kit of strategies available to family foundations. From the firm's perspective, the advisor had high-quality touch points with clients and prospective clients that demonstrated thought leadership around an area of common concern and opened the door to relationships.
- *A pooled fund provides an opportunity for individuals and family foundations to grow and learn as donors.* Most family foundations start as an extension of checkbook giving, with grants to organizations known to family and friends. A pooled fund can provide families

⁶ See information on the Giving Pledge: <http://givingpledge.org>

Pooled funds require people to give up power and control to a group process in exchange for a perceived benefit.

with incentive and a structure to become more ambitious in their thinking, source new ideas, and find peer collaborators. From the advisor's perspective, this pooled fund was a chance to bring new funding to a field and offered participants the ability to experiment with leverage, increase understanding of the federal policy environment, and support models for replication around the country. Philanthropic advising conversations typically focus on meeting donors where they are, often stopping at vehicle choice, family dynamics, governance, administrative options, or fundraising for a specific charity. The ECF offered a natural entrée point for discussions around strategic philanthropy.

- *People with passion, organizational skills, and persistence need to drive the process forward or it will likely fall by the wayside.* As time passed between the excitement of the May meeting in Washington, D.C., and the August announcement of the highest-rated applicants, interest waned. Several of those who answered the straw poll in the affirmative slipped away. At one point, the philanthropic advisor discussed an alternative strategy with the group of donors: not pooling funds, but providing a set of suggestions for direct funding to individual, vetted organizations. Re-energized by the quality of the i3 proposals and the clock ticking for the all-or-nothing match deadline, the advisor and donors caught a “second wind” and carried on.
- *Shared interest around a topic or community is a necessary but insufficient reason for participation in a pooled fund.* Pooled funds require people to give up power and control to a group process in exchange for a perceived benefit. In small-scale giving circles, this benefit is likely

to be a community of donors for those who may not view themselves as philanthropists. In contrast, ultra-high-net-worth individuals are likely to view themselves as philanthropists already and be pitched frequently by their social circle. Rather than the lure of “togetherness,” a sense of urgency – an all-or-nothing match, a community crisis – may be required for some to make the commitment.

- *The gap between “emerging” and “organized” philanthropy is real, but may be ameliorated through technology.* Like many professions, the world of organized philanthropy can be insular and filled with meetings where people talk to themselves. Major donors will never attend these gatherings in large numbers, yet they need efficient ways to glean relevant data so they can opt into some of these conversations. Technology resources for knowledge exchange and collaboration are starting to make inroads. In the ECF example, the Foundation Registry i3 was an important tool to link the advisor's donors with like-minded foundations. Meanwhile, at the Foundation Center, there is a growing demand to build online custom knowledge portals to serve as hubs with data visualization tools, curated research, “tagged” news feeds, and community tools. While currently a strategy for some forward-thinking foundations, these tools have the potential to forge new alliances with major donors, family foundations, and advisors.⁷
- *Social norms about money can help smooth over differences.* When foundation staff participate in pooled funds, it is understood that contribution levels will differ based on factors like endowment size and an annual grants budget for the issue. These distinctions are out in the open. Even so, it is typical for there to be one vote per foundation irrespective of grant size. The ECF concept paper envisioned each donor or donor family contributing the same amount – \$1 million – to the pooled fund and having one vote. As it became clear that those most

⁷ For examples, see the Foundation Center's portals for water access, sanitation, and hygiene funders: <http://washfunders.org> and for U.S. education reform: <http://foundationcenter.org/educationexcellence>

interested varied in their ability to contribute, the advisor noted that it would be impossible to have partial votes and unruly to grant multiple votes based on contribution level. With a high level of one-on-one communication between the advisor and each donor, all were kept abreast of how fundraising progressed. Social norms prevented public speculation among the group as to who exactly was giving at which level. Some gave more, some gave less – but it was a substantial gift for all involved. All agreed to a one-family, one-vote approach despite the differences in grant sizes.

- *Vehicle choice is straightforward: The underlying public charity and administrative processing can be handled by a donor-advised fund at a community foundation or federation, financial services firm, or intermediary.* In the ECF example, a community foundation or local federation did not make sense because of the unpredictable geographic scope of the pooled-fund grantees. Intermediaries with relevant issue-based expertise were applying for i3 grants so the donor group decided against them due to the potential for conflict of interest. Also, because the timing was so tight and there was no room for error, the group felt comfortable going with the financial services firm's donor-advised fund since the daunting logistics could be worked out with a trusted partner in advance.

Conclusion

In the spring of 2010, the zeitgeist in the U.S. was all about education reform. A philanthropic advisor tapped into that moment to encourage high-net-worth donors to try something a little different. Convinced that a learning community could form over time and lead to more strategic philanthropy through collaboration, she laid the groundwork for this to occur. She advocated providing support for an innovative public-private partnership and focusing on promising evidence-based approaches across geography, age group, and program model. With four more years in the i3 grant cycle, the ECF is a work in progress.

Pooled funds are not new. Giving circles among individuals and donor collaboratives of staffed

foundations are becoming more common. But joint efforts involving large gifts from wealthy individuals to support a set of programs are not a frequent occurrence. Was this a fluke based on an unusual set of circumstances or is there something here for the field to build upon?

For more of these types of pooled funds to occur, several factors need to come together: advisors with connections to both emerging and organized philanthropy; employer support for time-intensive donor-education processes; and technology tools to enable collaboration among motivated sets of donors and donor advisors.

For more of these types of pooled funds to occur, several factors need to come together: advisors with connections to both emerging and organized philanthropy; employer support for time-intensive donor-education processes; and technology tools to enable collaboration among motivated sets of donors and donor advisors. It didn't have to be education reform. It might have been climate change or medical research or dance. Any topic that inspires passion and creative solutions could potentially be explored through this type of pooled fund, but a sense of urgency and a time-limited window of opportunity provide an impetus for moving from talk to action.

The details in this article are meant to illuminate the roles that can be played by philanthropic advisors, provide a bit of "how to" guidance for similar pooled funds in the future, and offer up an honest preliminary assessment of the potential and challenges of this type of work. To increase the chances of other philanthropic advisors taking this on – or for motivated major donors and

family foundations to seek out opportunities for collaborative action – technology tools will be key. Custom knowledge portals hold promise as one-stop hubs to bring together organized and emerging philanthropy in pooled funds and other strategies of mutual concern.

Lisa Philp, M.B.A., is vice president for strategic philanthropy and director of GrantCraft at the Foundation Center. She previously served as global head of philanthropic services at the J.P. Morgan Private Bank. Correspondence concerning this article should be addressed to Lisa Philp, Foundation Center, 79 Fifth Avenue, New York, NY 10003 (email: llp@foundationcenter.org).