

The following is an examination of plans for foundation and corporate support in response to the current economic crisis. It is part of an ongoing Foundation Center research series intended to shed light on the impact of the economic downturn on the nonprofit sector.


Grantmakers Describe the Impact of the Economic Crisis on Their Giving

By Lawrence T. McGill, Senior Vice President, and Steven Lawrence, Senior Director of Research

As the economic crisis persists, fears grow about the impact it will have on foundation giving in 2009. To alleviate some of this uncertainty, more than one-third of the 100 largest U.S. foundations have issued statements describing how they are being affected by the current crisis and the ways they will be responding—from raising their payout rates to reducing administrative costs to cutting some programs. These leading funders are not alone. The Foundation Center has so far tracked an additional 35 foundation and corporate funders of all sizes that have chosen to publicly describe their response to the ongoing economic challenges. This information is compiled and regularly updated in an online chart, “In Their Own Words: 2009 Giving Forecast” (see below), available at foundationcenter.org/focus/economy.

In Their Own Words

The Foundation Center has created an online collection of the statements issued by foundations and corporations regarding their anticipated giving in 2009. This resource includes summaries of their responses, links to foundation and corporate press releases, other public statements, related news articles, and notations indicating how each institution’s giving will fare in the current year. The list of grantmakers is being updated continually. Funders who would like to be included should contact Ellen Smith at ecs@foundationcenter.org. To access this information at no charge, visit foundationcenter.org/focus/economy.



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In Their Own Words: 2009 Foundation Giving Forecast

Many foundations have publicly announced their plans for how they will respond to the economic crisis. Here we've compiled an overview of these announcements and related news from the Center's *Philanthropy News Digest* and other sources. We will be updating this chart continuously, so please check back for the latest information. [Submit news about a foundation's giving plans](#)

Updated 2/26/09

★ New Initiative	▲ Increase Giving	▼ Decrease Giving	⊕ Giving Trend Unclear	⊖ No Change in Giving			
Foundation Name	Total Assets	Total Giving	Fiscal Year	Summary	Philanthropy News Digest	Original Source	
Top 100 Foundations, by Total Assets							
▲	Bill & Melinda Gates Foundation	\$38,921,022,000	\$2,011,675,000	12/31/07	Scaling back planned growth. Planning to increase payout by about 10 percent in 2009.	Gates Foundation to Increase Payout, Scale Back Growth in 2009 Grantmaking	Gates Foundation Pruning Grant Growth
	J. Paul Getty Trust	\$11,187,006,719	\$17,780,165	6/30/07	-	-	-
⊕	The Ford Foundation	\$11,045,128,000	\$526,464,000	9/30/08	Will honor all outstanding commitments to its grantees and will increase the percentage of its endowment that is paid out in grants in 2009 and 2010.	Ford Foundation to Increase Payout in 2009	Grant Making in Uncertain Economic Times
⊖	The Robert Wood Johnson Foundation	\$10,722,296,000	\$407,698,000	12/31/07	Will maintain the program budget and all existing commitments through the rest of this year. 2009 program budget for	RWJF Responds to Financial Crisis	A Message from Rita Laviotto-Mourey on the Effects of the Global Financial Crisis on the Robert Wood Johnson

Grantmakers React to the Crisis

Increasing Support in 2009

Very few foundations are in a position to increase their giving in the wake of the economic crisis. Of the largest 100 foundations ranked by total giving, the Foundation Center has so far tracked only two with announced intentions to grow their funding in 2009—the Bill & Melinda Gates Foundation (WA) and the John D. and Catherine T. MacArthur Foundation (IL). Yet only the Gates Foundation appears to guarantee that its funding will go up. Although the foundation's assets declined by about 20 percent in 2008, Bill Gates said in his 2009 Annual Letter that the foundation is choosing to increase its spending in 2009. To do this, the foundation will increase its payout rate—the percentage of its endowment assets distributed for charitable purposes. By comparison, the MacArthur Foundation says that it expects to “maintain or increase” its grantmaking in 2009.

Holding Steady in the Current Year

Foundations that hope to hold their giving levels steady in 2009 will generally have to increase payout rates to achieve that goal. Ten of the nation's 100 largest foundations have so far announced intentions to do just that, including the Robert Wood Johnson Foundation (NJ), Andrew W. Mellon Foundation (NY), California Endowment (CA), Kresge Foundation (MI), Harry and Jeanette Weinberg Foundation (MD), Silicon Valley Community Foundation (CA), Houston Endowment (TX), Oregon Community Foundation (OR), Jim Joseph Foundation (CA), and Bush Foundation (MN).

To keep giving levels on par with 2008, many of these foundations have indicated that they are instituting cost-cutting measures. For example, the Silicon Valley Community Foundation announced in early February that it is “freezing salaries, putting a hold on open positions, reducing retirement benefits by 50 percent, and asking staff to absorb increases in medical

insurance costs.” It has also had to make “the difficult decision to lay off 14 staff members, which represents 14 percent of our workforce.” By taking these actions, the foundation expects to be able to maintain its giving level at roughly \$8 million in 2009.

Reducing Giving or Taking a “Wait and See” Approach

Despite the desire of grantmakers to maintain consistent levels of support for their grantees, six of the largest 100 foundations have so far announced plans to reduce their giving in 2009. These include the William and Flora Hewlett Foundation (CA), David and Lucile Packard Foundation (CA), Starr Foundation (NY), McKnight Foundation (MN), Daniels Fund (CO), and Anschutz Foundation (CO). Another nine top funders have issued statements that express a continued commitment to their core grantmaking priorities but do not explicitly state whether their total grantmaking will decline in 2009 or not.

Though both the Packard and Hewlett foundations plan to reduce giving, they have also announced plans to increase their payout rates in order to limit the reductions. Packard, which paid out at a rate of about 6 percent in 2008, will raise its payout rate to about 7 percent, allowing it to set a grant award level of \$276 million in 2009. Nonetheless, the foundation expects its giving to be about 18 percent less than in 2008. For Hewlett, increasing its payout rate will limit reductions in its 2009 giving to about 5 to 7 percent. Likewise, “to limit the recession's impact on grant payments,” the McKnight Foundation has announced that it “will increase the percentage it draws from its own endowment in the coming year.”

About Foundations' “Payout Rate”

To maintain their tax-exempt status, private non-operating foundations must pay out in charitable distributions each year an average of at least 5 percent of the value of their endowment. Charitable distributions primarily include grant payments and administrative costs directly associated with the awarding of those grants. For example, a foundation with assets of \$100 million that “pays out” at a rate of 5 percent would award approximately \$5 million in grants each year. (Foundations may carry forward excess disbursements over several years.)

If that same foundation's assets dropped 25 percent to \$75 million, but it decided to hold its giving steady at \$5 million, then the foundation's “payout rate” would increase to 6.7 percent. For foundations that have seen their assets decline by 30 percent or more, their payout rates would need to reach or exceed 7 percent to maintain a consistent level of giving between 2008 and 2009.

Beyond the largest 100 foundations, a number of other funders have explicitly stated that they will be reducing their giving, and, unfortunately, a few have announced that they will close their doors. Among these are the Chais Family Foundation, JEHT Foundation, Robert I. Lappin Charitable Foundation, and Picower Foundation, all of which were victims of the alleged investment scam perpetrated by financier Bernard Madoff.

Nine of the largest 100 foundations have issued statements that do not specifically project anticipated total giving for 2009. These include the Ford Foundation (NY), Carnegie Corporation of New York, John S. and James L. Knight Foundation (FL), Cleveland Foundation (OH), Eli & Edythe Broad Foundation (CA), James Irvine Foundation (CA), Weingart Foundation (CA), John Templeton Foundation (PA), and Hartford Foundation for Public Giving (CT).

The Ford Foundation has publicly stated that it plans to increase its payout rate so that it can “continue to honor all outstanding grants and, going forward, safeguard our core grantmaking budget.” It also points out that its investment strategies in recent years have put it in a comparatively favorable position to maintain its grantmaking budget. In a December 2008 message posted on its web site, Ford’s president Luis Ubiñas says that “entering the economic downturn, our portfolio was highly liquid, ensuring that we have the capacity to continue making grants without disruption.” Whether this means that 2009 giving will equal 2008 giving, however, was not made explicit.

The John S. and James L. Knight Foundation also notes that it “foresee[s] no liquidity issues for the Foundation,” which will allow it to “honor all existing pledges and grants.” But, similar to Ford, it makes no predictions as to whether its total giving will go up, go down, or remain the same in 2009.

Liquidity is an often-overlooked variable in assessing how well a foundation will be able to weather the current economic storm. In general, foundations that entered the crisis with substantial amounts of cash or cash-equivalents will be in a better position than those faced with liquidating deeply depreciated assets in order to meet current commitments.

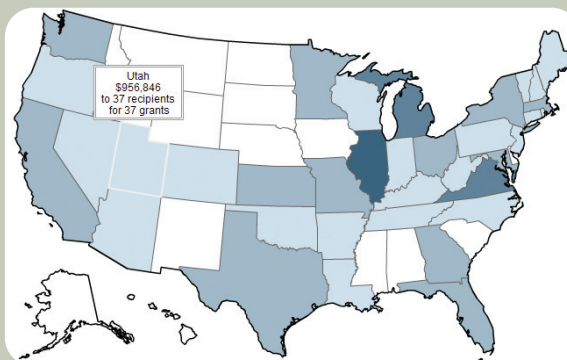
Without committing to any specific predictions for 2009, the James Irvine Foundation holds out hope that its

giving may actually increase, based on its practice of using rolling averages to calculate its annual grantmaking budget. That is, it bases its annual giving budget on the *average* size of its assets over a multi-year period, rather than upon the size of its asset base at the end of the most recently completed fiscal year. Since assets typically increase from year to year, a foundation’s average asset level over a three- to five-year period is usually *lower* than its asset level for the most recently completed fiscal year. Conversely, when a foundation’s assets go down, its three- to five-year average asset level may be *higher* than its asset level during the most recently completed fiscal year.

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Mapping the Safety Net in Real Time

The Foundation Center is constantly monitoring and collecting the most recent data on U.S. foundation and corporate support in response to the economic crisis. This information is easily accessed at foundationcenter.org on an interactive map displaying grants and program-related investments (PRIs), which is updated weekly and supplemented by a daily RSS grant feed. The map details nearly \$140 million in support to date. To submit grants data for inclusion, please contact Matthew Ross, manager of special data projects, at mr@foundationcenter.org.



As a result of asset averaging, says Irvine's president, James Canales, "our grantmaking may not increase as quickly as our endowment value during the good years, but conversely, the formula protects us from having to decrease our grantmaking significantly in times such as these. This approach is specifically designed to minimize disruptions to current and prospective grantees when the economy is bad, precisely the time when many nonprofits experience reduced income from a variety of sources."

Forthcoming Research

The examples cited above describe how a number of leading and smaller foundations and corporations expect to modify their giving and other activities in response to the current economic crisis. For a more comprehensive analysis of how foundations' grantmaking may change over the coming year, the Foundation Center's next research advisory will examine the responses of over 1,200 of the largest U.S. independent, corporate, and community foundations to a new survey. Among questions to be addressed are whether these funders expect to make fewer grants or support fewer grantees in 2009; whether they

anticipate providing more capacity-building grants or engaging in more non-grantmaking activities, such as program-related investments or collaborations and partnerships; and whether they made changes in response to the early 2000s economic downturn that have better prepared them to face the current downturn. This next advisory will be released in early April 2009.

Finally, for perspective on 2009 giving by all U.S. grantmaking foundations and the outlook for giving in 2010, see *Foundation Growth and Giving Estimates*, to be released by the Foundation Center in late March 2009.

About the Foundation Center

Established in 1956, and today supported by close to 600 foundations, the Foundation Center is the nation's leading authority on organized philanthropy, connecting nonprofits and the grantmakers supporting them to tools they can use and information they can trust. The Center maintains the most comprehensive database on U.S. grantmakers and their grants and conducts research on trends in foundation growth, giving, and practice. It also operates education and outreach programs that help nonprofit organizations obtain the resources they need. Thousands of people visit the Center's web site each day and are served in its five regional learning centers and through its network of more than 400 funding information centers located in every U.S. state and beyond. For more information, visit foundationcenter.org or call (212) 620-4230.

Source for all data:
The Foundation Center

For more information about this advisory, contact communications@foundationcenter.org.