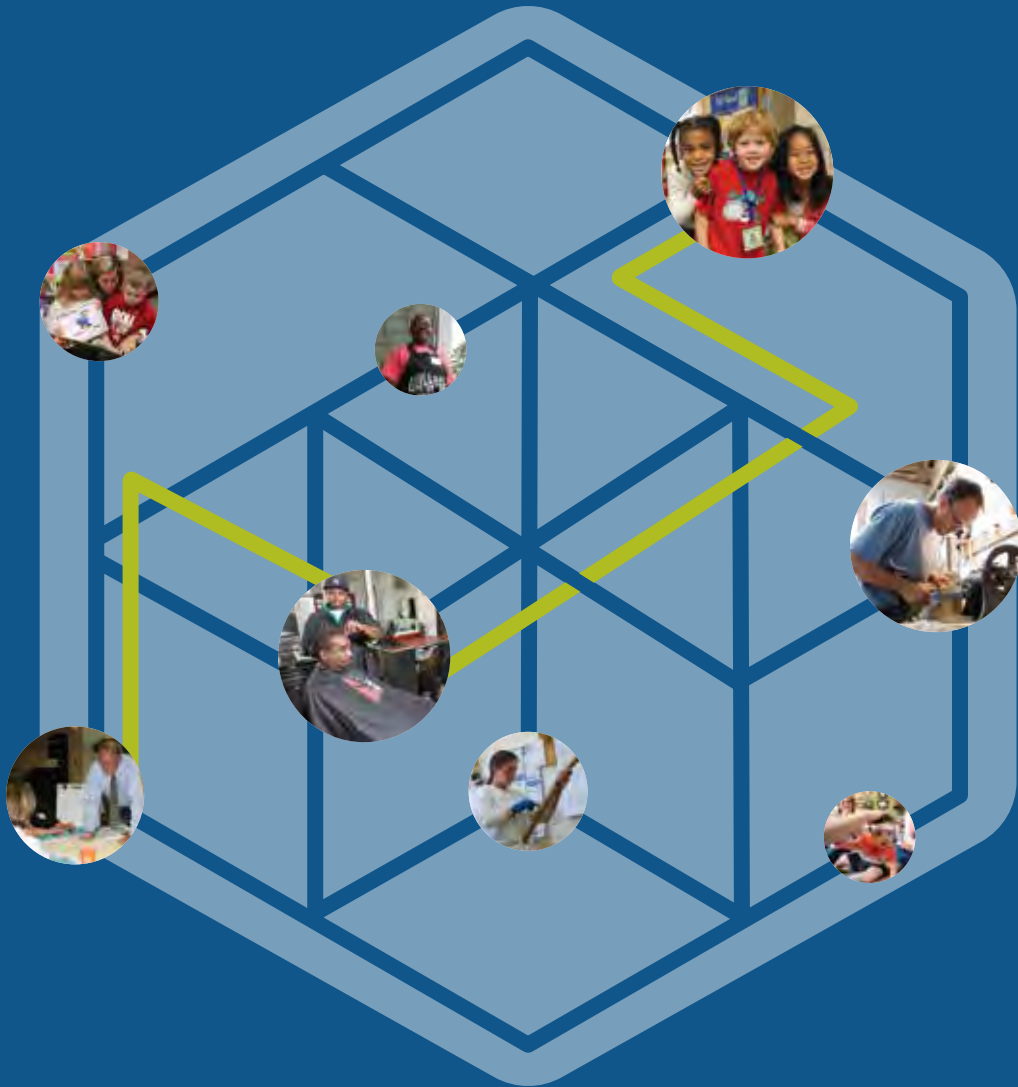
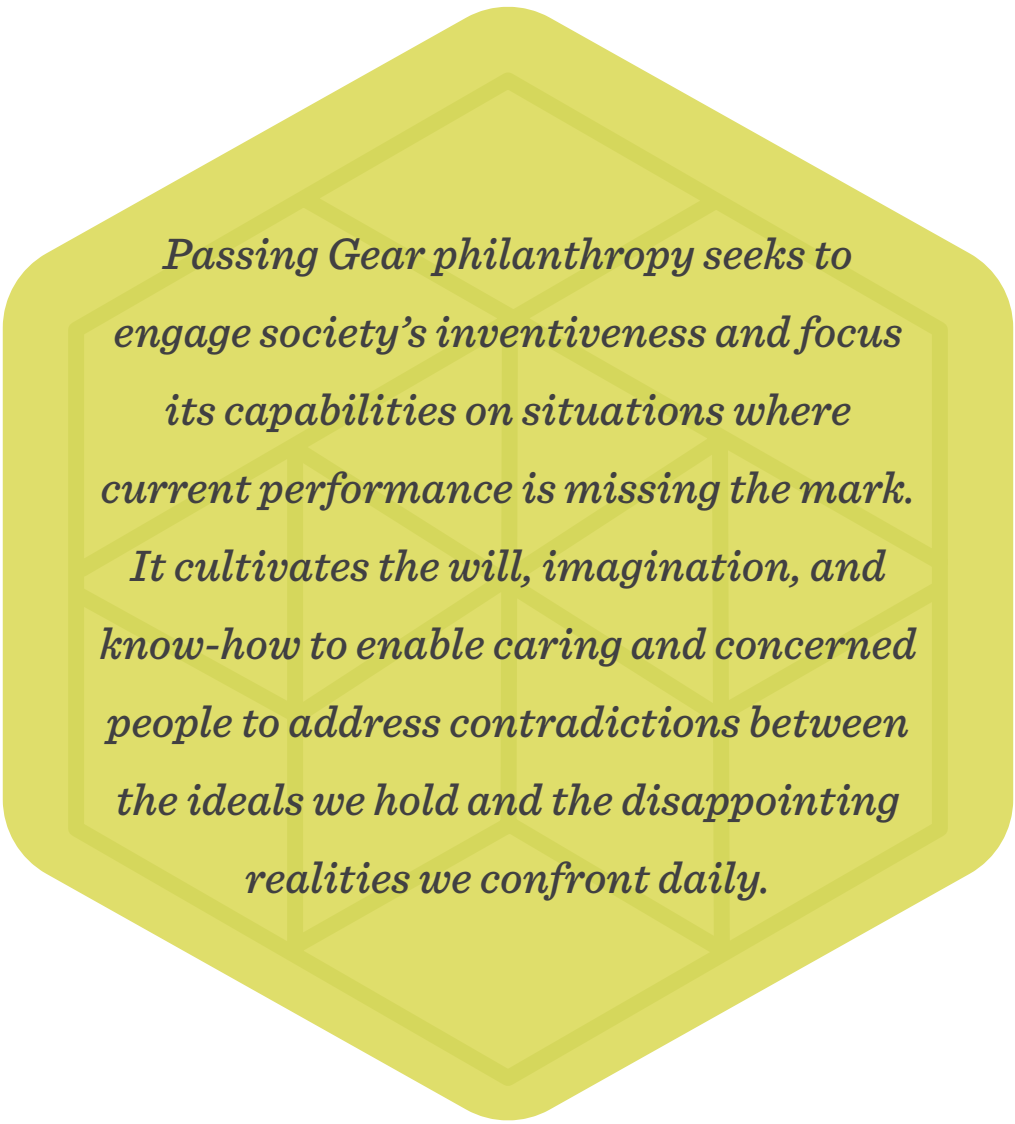


Philanthropy as the South's Passing Gear: *Fulfilling the Promise*



Southeastern Council
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Connect · Engage · Inspire





*Passing Gear philanthropy seeks to
engage society's inventiveness and focus
its capabilities on situations where
current performance is missing the mark.
It cultivates the will, imagination, and
know-how to enable caring and concerned
people to address contradictions between
the ideals we hold and the disappointing
realities we confront daily.*



MDC

FIFTY YEARS

About MDC

MDC brings together foundations, nonprofits, and leaders from government, business and the grassroots to illuminate data that highlight deeply rooted Southern challenges and help them find systemic, community solutions. Our approach, developed over 50 years, uses research, consensus-building, and programs that connect education, employment, and economic security to help communities foster prosperity by creating an “*Infrastructure of Opportunity*”—the aligned systems and supports that can boost everyone, particularly those who’ve been left behind, to higher rungs on the economic ladder. Since 2003, MDC has worked with place-based community and private foundations to help them refocus their philanthropic program services to address the “upstream causes” of social inequities. To date, MDC has helped foundations refocus more than \$1 billion in philanthropic assets.

Southeastern Council
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About SECF

The Southeastern Council of Foundations is one of the nation’s largest regional associations of grantmakers, serving more than 330 of the most dynamic foundations and corporate giving programs in the South. SECF works in partnership with members in 11 Southeastern states to serve, strengthen, promote, and champion the South’s philanthropic voice and infrastructure through engaging programming, leadership development training, access to unique resources and invaluable connections. By encouraging insightful philanthropic collaboration, SECF creates opportunities to increase the region’s grantmaking impact and empower transformational community change.

‘WHAT ARE WE WILLING TO FIGHT FOR?’

Ten years ago, MDC’s report *The State of the South 2007: Philanthropy as the South’s “Passing Gear,”* asked a key question of the field: How can philanthropy accelerate progress toward a South that is both equitable for all its residents and competitive with other regions of the country?

The original “Passing Gear” report leaned heavily on data about the current state of the South and the trends that were then shaping its future. That data—and the recommendations made to both respond to and shape it moving forward—sparked years of conversation, deeper research and ongoing questions about philanthropy’s role throughout our region. Since then, several foundations have intentionally applied Passing Gear principles to their work, reshaping their roles and significantly transforming systems, attitudes, and outcomes.

Now, a decade later, this second iteration of the MDC “Passing Gear” report, commissioned by the Southeastern Council of Foundations, explores what has changed in terms of data, landscape, and philanthropic capacity and activity in our region.

The data is once again telling, and the story is in some ways troubling. The region’s population is growing and becoming increasingly diverse, but for many, that growth and diversity has not coincided with prosperity. In every state, people of color experience poverty at double or even triple the rate of whites, and educational attainment—a predictor of economic success—shows a similar disparity.

The environment in which the South’s residents live has been troubled, especially in recent years. We have seen the devastating impacts of the Great Recession, numerous natural disasters, violent acts rooted in hatred, and growing divisions—political and otherwise—in our society. However, the South is not unique in its environment and, perhaps, is now more aligned with the experiences and the psyche of the rest of the nation than at any other time in its history.

We do not have time, however, to dwell on the negative. Too much is at stake, and our role as philanthropists is to use the resources we have now to drive positive change. Thankfully, the South is growing with human, intellectual, technological, and institutional capital, tools that can and should undergird a new era of shared prosperity and a robust society.

The past decade has seen a growth in philanthropic capital in the region that can be applied to improve our current state. Since 2007, the number of foundations in the region has grown from 13,260 to 15,439, and philanthropic assets from \$76.4 billion to \$98.5 billion. More importantly, we’ve witnessed evolutions in philanthropy that show us the progress that is possible, even in the face of significant challenges.

In this report, you’ll read many stories of courageous funders who have embraced their role as Passing Gear philanthropies and, in doing so, are delivering transformative outcomes for communities across the region. They have overcome divisions, elevated thinking inside and outside their organizations, used data as a powerful tool for building consensus, aligned efforts among many players, and increased the speed and power of change. Their stories and voices represent a revolutionary mindset within philanthropy that is beginning to accelerate progress in the South.

That acceleration can only continue, however, if these individual efforts become emblematic of a collective effort by grantmakers who are courageous, who recognize the potential of this moment, and exert the strong leadership required to turn ideas into actions, and actions into results.

We can identify opportunities where Passing Gear philanthropy can drive us far past the status quo. The question that remains is, *what are we willing to fight for?* With the fate of lives and communities hanging in the balance, no question is more important—and no answer more critical.



Janine Lee
President and CEO
Southeastern Council of Foundations

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CHAPTER 1: THE STATE OF THE SOUTH— BETTER OFF, BUT NOT NEARLY GOOD ENOUGH

“The time has come, finally come. The South can lead the nation, must lead the nation—and all the better, because the nation has never been in greater need of leadership.” — Former North Carolina Gov. and U.S. Sen. Terry Sanford, 1971

It may seem difficult today to imagine the South leading the nation in the economic and social reforms that Terry Sanford had in mind. But when Sanford, then the president of Duke University, spoke those words to a gathering of progressive (white) Southerners, hope seemed on the horizon. The civil rights catharsis of the 1960s had borne fruit in laws expanding blacks’ political participation and educational opportunities, the horror of the Vietnam War was winding down as U.S. troops returned home in stages, and the South entered a period of economic renewal.

The speech came at an inflection point in the South’s history—the removal of the taint of Jim Crow laws had liberated the South to attract investments in manufacturing, banking, research and development, and budding high-tech enterprises. In the decades that followed, the “New South” saw more and better jobs, improved city and state economies, and a growing middle class that included blacks and whites. (Sanford created the North Carolina Fund to attack his state’s persistent poverty; it was the Fund, as it completed its planned five years of community-based activities, that spun off the North Carolina Manpower Development Corporation, now known as MDC, in 1967.)

But Old South attitudes lurked underneath. As Isabel Wilkerson wrote in *The Warmth of Other Suns*, her powerful book about the Great Migration of blacks who left the South in search of opportunity: “All the marching and court rulings did little to change some southerners’ hearts. A 1968 survey found that eighty-three percent of whites said they preferred a system with no integration. And they acted on those preferences. By 1970, 158 new white private schools had opened up in Mississippi. By 1971, a quarter of the white students were in private schools, the white families paying tuition many could scarcely afford.”

Nearly 50 years later—looked at from the perspective of Southerners who knew their region as the home of segregation, poverty, and injustice—the South appears better off, having made progress in reducing poverty, diversifying the economy, and improving educational attainment. Some advances resulted from broadening attitudes that Sanford hoped would prevail as he became a role-model for political and civic leaders—Democratic and Republican—who sought to chart a post-Jim Crow future of civic inclusion and economic advancement by turning their attention to eliminating illiteracy, recruiting industry, and



managing government to solve problems.

Progress also resulted from newly elected black office-holders, ministers, and grassroots organizers who engaged in the democratic process—and sometimes continued to protest. They used the levers of the political parties and of Congress, state legislatures, and local school boards to push “progressive” politicians to respond to the needs and aspirations of Southerners who had previously been left behind. One indicator of their success came in the milestone election in 1972 of Barbara Jordan of Texas and Andrew Young of Georgia to the U.S. House.

But, as Wilkerson notes, forces of resistance and retrenchment were at work as well. Lingering racial resentments also found a political voice that limited public investment in public institutions. What’s more, an era of economic shifts made life more vulnerable for one-industry small towns and adults without education beyond high school. Debilitating disparities may have narrowed, but haven’t gone away, such that the South now is *better off than it was 50 years ago, but not nearly good enough for the 21st century*.

Sharp racial disparities in poverty, wealth accumulation, and education remain. Many of the people who were not well-served by the South’s formula for progress remain stalled at the bottom. There are widening gaps between those who were able to climb the ladder of economic mobility and those who weren’t. From the perspective of where we want to be, we are not moving ahead fast enough, and in some ways, we’re moving backward. And new challenges face us: immigration, climate vulnerability, incarceration, and more subtle forms of Jim Crow.

Civic discourse has coarsened, sometimes leaving us inadequate mechanisms to bridge the fault lines of race, class, and ideology. With the rise of social media and instant communications, people left behind have been able to speak up, be heard, and mobilize in a way not seen since movements of the 1960s. But so have the successors to those who opposed the South envisioned by Sanford and others.

“The issue is not whether hate is back,” says James A. Joseph, former U.S. Ambassador to South Africa and President Emeritus of

the Council on Foundations. “It is whether we have allowed a few loud and angry voices to assume that it is socially acceptable to use hostile and demeaning public rhetoric to destroy the dignity, deny the humanity, and de-legitimize those with whom they differ. Those of us who worked in the Civil Rights Movement and the public life of our nation in the 1960s learned that violent rhetoric can lead to violent consequences.”

The South of today is a different place than the South of five decades ago. The dismantling of legalized racial discrimination helped position the South for a quarter-century of robust population and job growth—growth that, in turn, had political and cultural ramifications. Through the last quarter of the 20th century, Southern commentators often remarked on the Americanization of the South—and the Southernization of America.

Today, even with its enduring distinctiveness in music and food, as well as cultural attitudes, the South is more like the rest of the United States than

ever. The South is no longer, as Sanford said in 1971, the “backward child” of America. The region has more affluence, a more diverse economy with a potent corporate sector, a stronger middle class (blacks and Latinos as well as whites), better schools, health care, and transportation than it did 50 years ago.

And yet its greater-than-ever prosperity is not widely or evenly shared. Poverty rates among African Americans, which hovered in the 40-50 percent range in the 1960s, have been reduced in most states to 25-30 percent. Still, too many Southern people and places fail to flourish. Developments over the past decade or so seem to have sapped the wherewithal to continue advancing and the will to extend to all Southerners the benefits that some are enjoying. We need to examine formulas for progress and equity that apply to today’s conditions. By asking why progress has stalled, Southerners can begin to apply their civic energy and entrepreneurial spirit to rebuilding state and local capacity to address inequities and economic distress.

This chapter, which seeks to synthesize the demographic, economic and social arc of the South since the late 1960s, is offered in the conviction that the South can and must summon the will to give its citizens options and opportunities to thrive in a fast-changing economy, to enrich themselves with a sense of belonging to family and community, to connect through bridging institutions that bring disparate people together, and to contribute to an inclusive society through work and public life.

Debilitating disparities may have narrowed, but haven’t gone away, such that the South now is better off than it was 50 years ago, but not nearly good enough for the 21st century.

A GILDED AGE, THEN A LOST DECADE

Once the South got past the petroleum squeeze and “stag-flation” of the mid-1970s, the region entered what an earlier State of the South report called its “gilded age.” In the 1980s and ’90s, the South outpaced the nation in population growth and jobs. Between 1987 and 2007, the South added more than 20 million jobs.

Over these two decades, the South’s per capita income rose from just above \$20,000 to nearly \$29,000 (in inflation-adjusted dollars). Simultaneously, its aggregate poverty rate (including whites, blacks and Latinos) fell from 18 percent to below 14 percent. And yet, through its two decades of economic expansion, the South remained below the nation in income and above the nation in poverty.

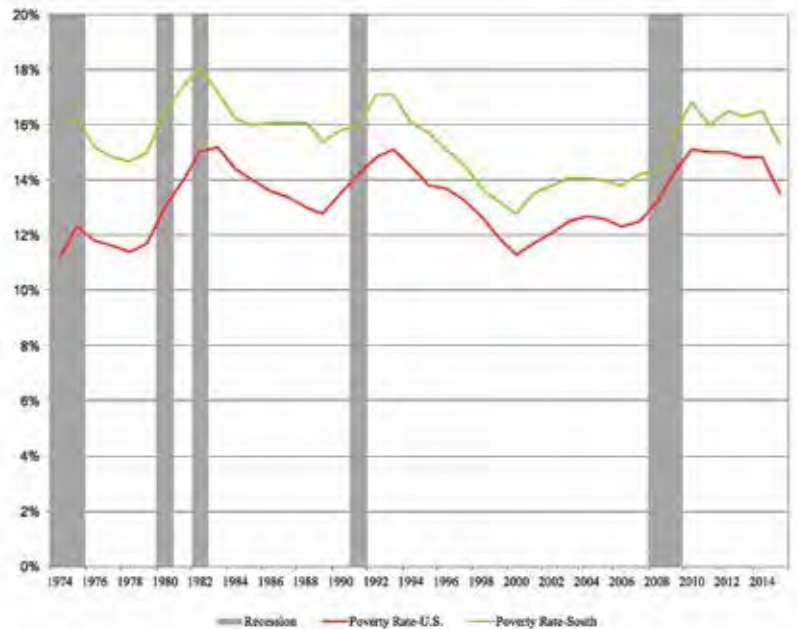
The “gilded age” came to an end with the national recession of 2000–01 and, even more damaging, the Great Recession of 2008–09, which, in retrospect, hit the region harder than it may have seemed at the time. The South lost more than two million jobs between January 2008 and September 2009, many in old-line, lower-wage manufacturing. During what was termed the “lost decade,” the South’s per capita income declined and poverty rose until 2015, when the long, slow recovery produced a modest comeback in income and poverty alleviation. Still, in states across the South, black and Latino populations have higher rates of poverty than their white counterparts, frequently as much as 20 percentage points higher.

For many Southerners and their communities, economic disruption intensified stress as the old, stratified society gave way to a more fluid and dynamic world. The disappearance of middle-skill jobs and the erosion of middle-class earnings spread anxiety, not limited to any race or ethnic group. Income inequality widened, and even major metropolitan areas failed to propel upward mobility among young, low-income people.

Not only economic disruption, but also social and demographic change produced alienation. The fault line of race may have narrowed but didn’t vanish, even as more Hispanics and Asians made their homes in the region. Many African Americans still felt disenfranchised. And many white Southerners felt that their world had eroded under them; as Arlie Russell Hochschild writes in capturing the theme of her book about South Louisiana, *Strangers in Their Own Land*, “the shifting moral qualifications for the American Dream had turned them into strangers in their own land, afraid resentful, displaced, and dismissed by the very people

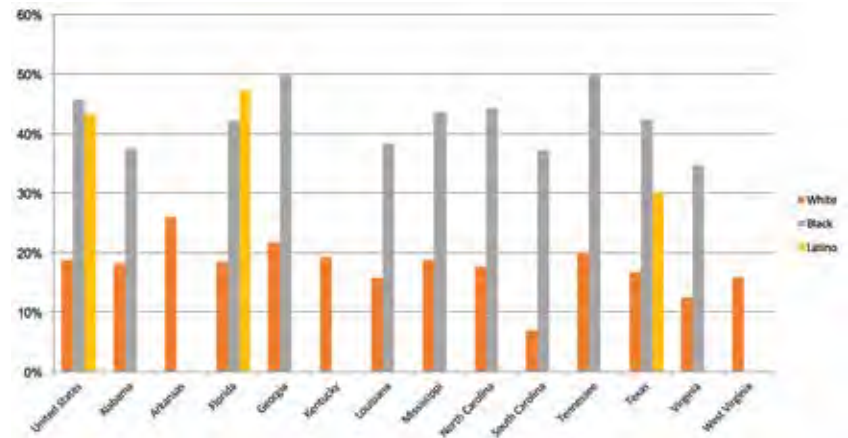
Percent Below Poverty Line (1974–2015)

Source: U.S. Census. Current Population Survey, 1970–2015



Percent of Households in Asset Poverty

Source: Prosperity Now Scorecard



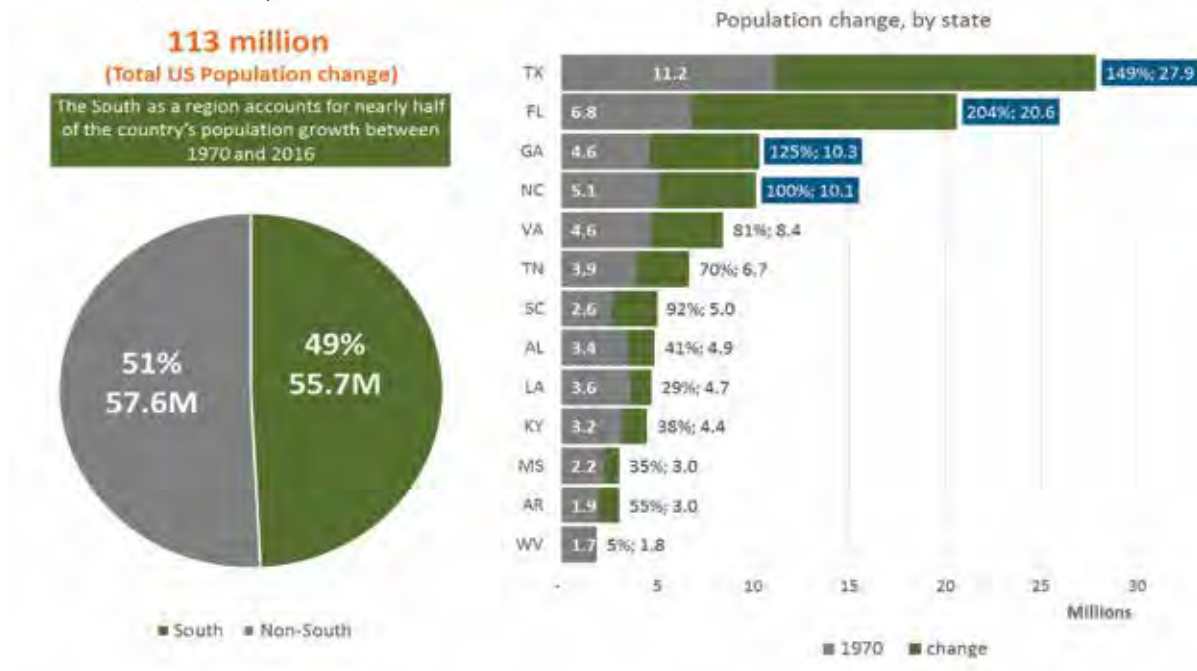
who were, they felt, cutting in line.” The South’s history, and current state of economic inequality, environmental devastation, and racism have contributed to the entrenchment of deeply held attitudes, beliefs, and assumptions about who deserves which socioeconomic position, and who does or does not deserve support along their path to success.

The South’s public life suffers, as does the nation’s, from polarization between political partisans, between big cities and small towns, between class and racial segregation of nearby neighborhoods.

Given these challenges, the South today is not an altogether happy place. The so-called “happiness” ratings, derived from an annual Gallup–Healthways survey, offer evidence of division and estrangement. Based on 177,000 interviews in 2016, the Gallup–

Southern Growth: The Big Get Bigger

Source: 1970 Census, 2016 U.S. Census Population Estimates



Healthways survey produced a state-by-state well-being index based not only on physical and financial indicators but also on personal and community relationships. Texas and Florida ranked among the top states, with Virginia, North Carolina, South Carolina and Georgia in the middle ranks. Six states—Mississippi, Louisiana, Alabama, Arkansas, Kentucky and West Virginia—fell into the bottom 10.

Perhaps even more revealing is a survey released in fall 2017 by PRRI, a nonprofit research organization that focuses on religion and public life. Its survey of more than 3,400 Americans took a special look at the Southeast and Southwest. Its findings point to dramatic differences in perceptions across racial lines during the 2016 election year and afterwards.

“Close to half (48%) of Americans living in the Southeast and Southwest regions say they feel like a stranger in their own country,” says the PRRI report, echoing Hochschild. “A slim majority (51%) disagree... A majority (54%) of black residents and close to half of Hispanic (45%) and white residents (49%) report feeling this way.”

No doubt, black and white Southerners may have different reasons for feeling like a stranger in their own land. And yet, in a region that values a sense of place, and where whites and blacks have felt “at home” for generations—though with very different points of view—understanding the widespread estrangement and working to mitigate it in our states and communities are essential to moving forward, even as the bi-racial past becomes a multi-racial future.

NO TIME FOR DOOM AND GLOOM

The South shares in, and contributes to, both the strengths and fractures of the nation. Southern states and communities do not move these days in the same direction or at the same speed. The recession-recovery has privileged several of the region's metro areas, strengthened them as modern “city-states,” while it has left scores of rural communities struggling with population decline.

To be sure, the South has not blossomed into all that “New South” proponents hoped for in the 1960-70s transition. Still, the past 50 years have shown the region's ability to adapt to change, to lower barriers and respond to its people's needs.

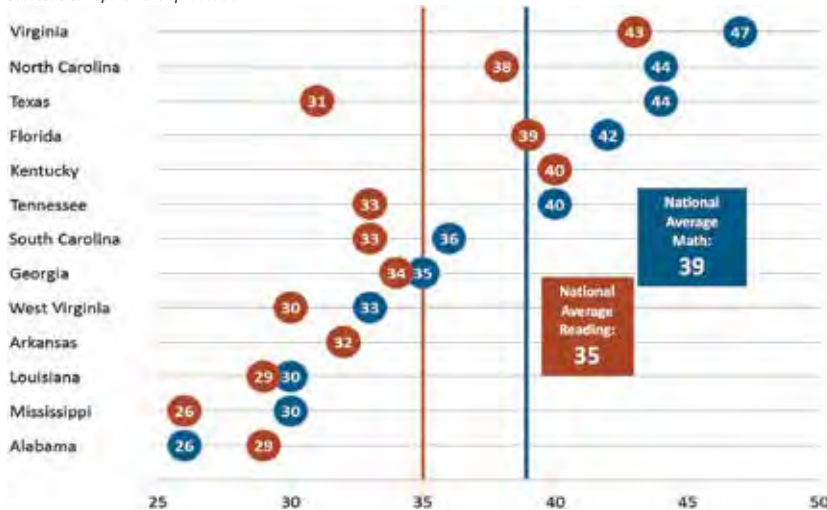
- As a whole, Southern schools, colleges, and universities are better than ever, though in constant need of improvement to meet the demands of both democracy and capitalism. However, most states still lag the national average in K-12 achievement, and blacks and Latinos lag in postsecondary degree attainment—a threshold that is increasingly necessary to attain family-sustaining wages.
- Southern communities have the benefits of modern medicine and hospitals, networks of well-trained providers, and improved public health programs. For example, Birmingham and Durham, once centers of old-industry manufacturing, have transformed themselves into centers of modern medicine. And yet, millions of Southerners still lack adequate health insurance. The failure to expand Medicaid in states across the South has not only made it difficult for



Reading and 'Rithmetic

Percent of 4th grade proficiency on NAEP assessments, 2015

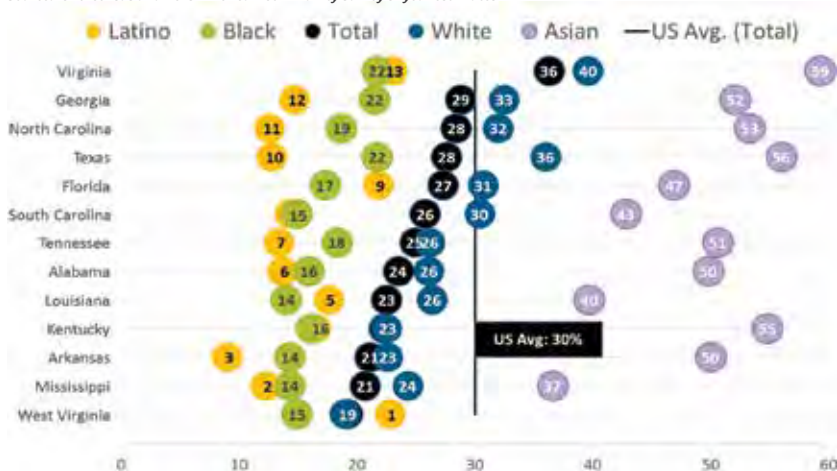
Source: U.S. Department of Education



The Color of Credentials

Percent of population with Bachelor's degree or higher (age 25 and over)

Source: 1970 Census and 2015 American Community Survey 5-year estimates



patients to receive and afford care, but for hospitals to keep their doors open. The number of rural hospital closings is rising, according to the National Rural Health Association, often in areas with the poorest health, signaling the prospect of health care deserts.

- Charleston, Biloxi, and New Orleans have largely recovered from devastating storms of a decade or more ago, even as several Texas and Florida cities were hit hard by hurricanes in 2017. Yet the South's vast coast, enjoyed by residents and vacationers, is increasingly vulnerable to intense storms and to sea-level rise, threatening both trade and tourism.

STRONG GROWTH STATES LEAD IN-MIGRATION

The American South has 54 million more residents today than five decades ago. The 13 states that MDC defines as the South accounted for 45 percent of total U.S. population growth since 1970 (note that while data for *The State of the South* covers 13 states, the Southeastern Council of Foundations includes 11 states, but not Texas and West Virginia). States along the Atlantic seaboard, as well as Texas, have grown more robustly than states of the inner-South. Texas, Florida, Georgia and North Carolina all have more than doubled in size and account for three-fourths of the region's population growth during this period. The scale of population growth suggests a sweeping regional transformation—while the details of that growth tell an even more dramatic story.

Of course, some growth comes naturally, with births exceeding deaths as people live longer lives. In terms of the South's development, even more important are the shifts that arise from the mobility of American society, as people move from one state to another, from a small town to a city, from a city to a retirement community.

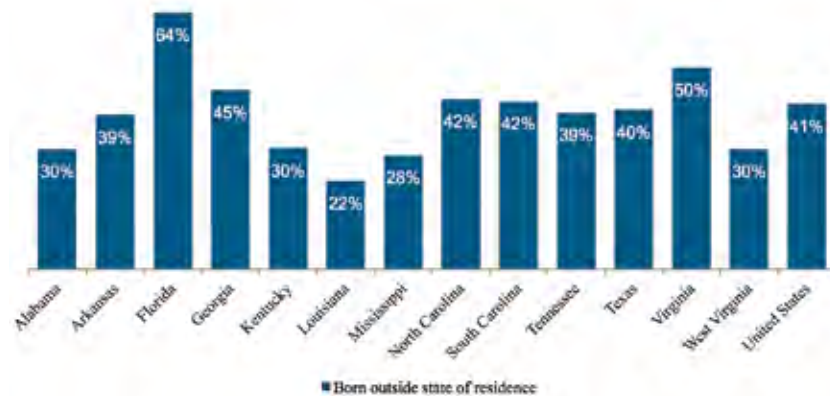
As its supply of jobs expanded, the South became an importer of talent. College-educated Americans, whites and blacks, moved in. Although racial gaps in income persisted, significant increases across the board cultivated an expanding black middle class. Hispanics dispersed beyond Texas and Florida.

The population surge of its fastest-growing states has largely been driven by in-migration from other states and immigration from other nations. The South's strong-growth states have

New Neighbors

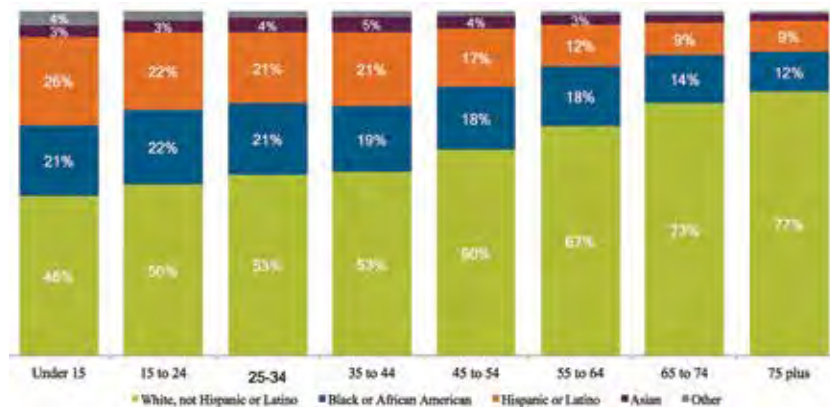
Fastest growing states have largest share of residents born out of state

Source: American Community Survey, 2015 five-year estimates



An Increasingly Diverse South

Source: Economic Modeling Specialists International (Q1.2017)



out-paced the slower-growth states in importing talent. In 2015, 64 percent of Florida's population was born in another state, while slower-growth states like Kentucky and Mississippi's out-of-state population hovers around 30 percent.

In North Carolina, four out of 10 of its current residents were born outside the state. Today, 77 percent of North Carolina's population of 10 million were foreign-born, up from .6 percent of its 5.2 million population in 1970. UNC-Chapel Hill demographer Rebecca Tippet has pointed out that 17 North Carolina counties have more residents born elsewhere than native-born, and its talent gains are more from in-migrants than its education system.

Born-elsewhere Southerners have been attracted by jobs, educational opportunities, and quality-of-life factors. The strong-growth states face challenges in building and sustaining a sense of belonging to communities filled with highly mobile people. Slower-growth states surely retain residents who feel at home in their own town or city. To elevate their economies and spread prosperity, these states have to rely on—and educate more of—their own, at-home citizens to meet the talent deficits that immigration is not erasing. Growth both follows and attracts talent.

MORE DIVERSITY AHEAD

Instead of African Americans leaving the South as they did in the 1960s, they have since moved to the South more than to any other region. "Thus, a half-century after the civil rights legislation of the 1960s," demographer William Frey wrote in his 2015 book, *Diversity Explosion*, "new generations of blacks, particularly those with a college education, are moving away from their earlier predominant destinations. Although the initial 'reverse' migrants may have been fleeing from deteriorating economic and social conditions in the North, recent younger and privileged migrants are moving to a more prosperous, post-civil rights South that was unknown to their forebears."

Frey identified Atlanta, Charlotte, Miami, Houston, and Dallas as major "metropolitan magnets" for blacks in-migrating to the South. And he has pointed out that more than half of African Americans in large metropolitan areas now reside in suburbs, rather than the center of cities.

The South has shifted from a bi-racial to a multi-ethnic region. The arrival of immigrants from Mexico, Central America, and Asia, as well as the births of children to immigrants, has contributed to population growth and mitigated the overall aging of the region. The younger, more diverse South of today starkly contrasts with the older

generation of the region. While 77 percent of Southern adults over 75 identify as white, only 46 percent of Southern children under 15 identify similarly.

In 1970, only two states had sizable foreign-born populations—Florida at 8 percent and Texas at 2.8 percent of their total. All others in the South had well below 100,000 foreign-born residents. Now all states, except West Virginia and Mississippi, have more than 100,000 foreign-born residents. And the fast-growing states have become the most robustly multi-ethnic—Florida nearly 20 percent foreign-born, Texas about 17 percent, Virginia more than 11 percent, Georgia nearly 10 percent, and North Carolina about 8 percent.

Further diversity appears clearly in store. Among Southern children and teenagers, now about half are white. Blacks, Latinos and Asians together add up to nearly half. Currently, only Texas among Southern states has a majority-minority population. The "States of Change" paper issued by the Center for American Progress in 2015 projects that Florida and Georgia will become majority-minority in the 2020s, Louisiana in the 2030s, Mississippi and Virginia in the 2040s and North Carolina in 2050. Diversity presents opportunity and test the old bi-racial culture to adapt and become a welcoming, inclusive society.

We need to examine formulas for progress and equity that apply to today's conditions. By asking why progress has stalled, Southerners can begin to apply their civic energy and entrepreneurial spirit to rebuilding state and local capacity to address inequities and economic distress.

Diversity is different than inclusion, however. Though the South's population is increasingly nonwhite, disproportionately large numbers of black Southerners are missing from their communities due to the scope and severity of mass incarceration in the South. The scene for mass incarceration was set in 1865 with the passing of the 13th amendment, Ava DuVernay argues in her documentary *13th*, which abolished slavery in the U.S. "except as punishment for crime." But the widespread institutional practice particularly picked up steam in the 1970s.

From the 1970s through the 1990s, the U.S. incarceration rate doubled each decade, and mass incarceration and other forms of correctional control, such as parole and probation, are particularly pronounced in the South. According to 2016 data from the Prison Policy Initiative, 11 out of 13 Southern states incarcerate their residents at a higher rate than that of the U.S. average (693 people per 100,000), with seven of those 11 incarcerating more than 800 people per 100,000. As of 2016, Louisiana incarcerated residents at the highest rate across the South, putting 1,143 people per 100,000 behind bars, despite recent statewide attempts to lower prison populations by decreasing jail and prison time for nonviolent crimes. Widening the lens to consider parole and probation as well as those in jails and prisons, seven of 13 Southern states exceed the U.S. average rate of correction control (2,111 people per 100,000.) Georgia far outpaces this rate, with 5,828 people per 100,000 under some form of correctional control as of 2016.

When examined by race rather than in total, the inequities present in the South's systems of correctional control are alarming. According to 2016 data from the U.S. Department of Justice, black populations across Southern states—and in the U.S. overall—are incarcerated at disproportionately high rates relative to their white counterparts. For example, in Texas, as many as over 1,800 black people per 100,000 of the total population are incarcerated, as opposed to about 450 white people and 550 Hispanic/Latino individuals. In Louisiana, over 1,700 black people per 100,000 of the total population are incarcerated, compared to about 400 of white people and 50 Hispanic/Latino individuals.

These rates of incarceration and correctional control—the sheer magnitude of the numbers as well as the apparent racial inequities—matter when we take stock of progress in the South because incarcerated individuals are not counted among the total population in many datasets examining employment and

education. As Ta-Nehisi Coates explains in his article "The Black Family in the Age of Mass Incarceration" in *The Atlantic*, "The illusion of wage and employment progress among African American males was made possible only through the erasure of the most vulnerable among them from the official statistics," noting that "among all black males born since the late 1970s, one in four went to prison by their mid-30s; among those who dropped out of high school, seven in 10 did."

The intergenerational, crippling effects of slavery are echoed in the South's current incarceration practices, which often function to limit employment, education, civic participation, and housing options, as well as physical and mental well-being. Though the South is increasingly racially and ethnically diverse, institutional practices like those found in federal and state criminal justice systems can function to limit the reality of diverse inclusion in the growth and pockets of prosperity present in the South.

SOUTH RELIES MORE ON METRO-POWER

The movement from a rural to a metropolitan-dominant region had just picked up steam in the early 1970s. Through the last quarter of the 20th century, that dynamic accelerated to change the face of the region. Today's South contains one-third of the nation's 100 most populous metro areas, and five of the top 10: Dallas, Houston, Washington, D.C. (includes Virginia suburbs), Miami and Atlanta. Since 1970, the South's metropolitan population has increased by nearly 50 percent. In the early '70s, 61 percent of Southerners lived in a metro county; now 75 percent live in a metropolitan setting.



Especially since the Great Recession, a collection of expanding metro areas has served as the South's most potent economic drivers. Repositories of entertainment, art, and culture, cities and their surrounding suburbs attract people with ideas and with money to invest in them. As they have attracted the “creative class,” Southern metro areas have also exerted a magnetic pull on people needed to fill burgeoning retail, service and maintenance jobs.

Thus, the region's metro areas find themselves divided among the affluent, a stressed middle class, and the struggling poor and near-poor. In 1986, MDC published “Shadows in the Sunbelt,” highlighting pockets of economic distress amid the “Sunbelt” surge. It described those areas mostly as rural communities left behind by the shift of people and jobs to the cities. Now the South has “shadows” of fragility and disparity just a few city blocks away from high-rise office and condo towers.

The phenomenon of increased growth and expanding inequality complicates the South's path toward inclusive, sustained economic prosperity. The Brookings Institution defines inclusive growth as a condition “when all segments of society share in the benefits of economic growth.” To this end, they track progress by assessing the extent to which communities support *growth* (size of the economy), *prosperity* (productivity and standard of living), and *inclusion* (broad-based opportunity and narrowed economic disparity) in their economic development efforts. Among the 100 largest U.S. metropolitan areas, only two communities in the South—Austin, Texas, and Charleston, S.C.—are achieving growth, prosperity, and inclusive economic outcomes that improve conditions for both white people and people of color. This regional growth and prosperity, matched with limited inclusion of historically disadvantaged populations, will likely exacerbate social fissures produced by shifting demographics and increased income inequality.

Simultaneously, Southern states face excruciatingly difficult choices in addressing human needs in rural communities, some holding on, some dwindling. To what extent should state governments try to “save” small towns, or manage decline? Rural places have varying characteristics—some are amenity-rich and some have extractive economies; some are near vibrant regions, some are isolated. Some, to be sure, have shown remarkable resilience, especially those near metro areas, along major highways, and those blessed with natural beauty that attracts retirees and visitors. And yet, across the South, many small towns have lost their economic bases in manufacturing and mining and struggle with discouragement at best, and opioid addiction and suicide at worst.

Southern history is full of rivalry between city and countryside, as well as mutual dependence. In recent years, several Southern states have implemented rural development policies and programs, often overwhelmed by the powerful forces of globalization and technology. Now the challenge for the South is not to set city against countryside anew, but rather to assure that its most powerful economic engines remain in tune and powerful. A related issue is whether the South can figure out how to deploy metropolitan “hubs” as catalysts for regional economic advancement—that is, to connect rural people and



communities to the metropolitan economies in ways that serve both city and countryside.

In addition, rural regions across the South can work to connect educational, workforce, and economic development partners with the business community to re-energize the economic base. This connection of the “arc of growth” and the “arc of opportunity,” is described by the Funder's Network for Growth and Livable Communities and the Federal Reserve Banks of Atlanta, Boston, Chicago, and New York in a report on how funders can help revitalize local economies through place-based strategies. Connecting the arcs creates strong and durable career pathways that connect people to current and emerging career options that pay a meaningful wage, while exposing the next generation to the competencies and skills required to create the well-paying jobs of the future.

EDUCATIONAL ATTAINMENT MATTERS

For the last third of the 20th century, the South played catch-up in education. After all, the school segregation of the previous era was, in effect, a purposeful public policy to provide an inadequate education to a large segment of the region's young people. Through the 1960s, and in subsequent decades, the South got pulled along in the national momentum to forge a more educated nation.

In 1940, when the Census Bureau started collecting educational attainment data, three out of four American adults had not completed, or didn't go to, high school. By 1967, adults without a high school diploma had dropped to five out of 10, then

Turning Up the Degrees

Educational Attainment by Race, 1970 and 2015 (Percentage of Population with Bachelor's degree or more)

Source: 1970 Census and American Community Survey 5-year estimates



plummeted to one out of 10 in 2015. In the Southern states, adults who have completed high school range between 88 percent and 82 percent. Fourth- and eighth-grade scores in math and reading in several Southern states on the 2015 National Assessment of Education Progress (NAEP) exceeded the national average—North Carolina, Florida, Texas, Virginia and Kentucky for fourth graders; Kentucky, Virginia and Texas for eighth graders. Several of the inner-South states consistently scored below the national average.

Improvements in K–12 education resulted from federal judges who issued desegregation orders, federal financing for schools with high enrollment of students from low-income families, a business community persistently concerned about a skills-gap, the expansion of jobs attracting residents from elsewhere, and “New South” governors and state legislators who adopted school reform and accountability measures.

Adults with a bachelor's degree in the South rose from a mere 5 percent during World War II to more than 33 percent today. The region's turn-around resulted from an array of forces: The post-war GI Bill, the National Defense Loan program, and later Pell Grants fostered a dramatic increase

Postsecondary Payoff — Median Earnings by Education (Population Age 25+)

Source: 2015 ACS 5-year estimates

	TOTAL	LESS THAN HIGH SCHOOL	HIGH SCHOOL (OR EQUIV.)	SOME COLLEGE OR ASSOCIATES DEGREE	BACHELOR'S DEGREE	ADVANCED DEGREE
United States	\$36,231	\$20,361	\$28,043	\$33,820	\$50,595	\$66,857
Alabama	\$32,056	\$19,422	\$26,132	\$30,997	\$46,434	\$56,538
Arkansas	\$30,731	\$20,585	\$25,767	\$29,825	\$44,101	\$56,682
Florida	\$31,478	\$18,753	\$25,275	\$31,091	\$43,371	\$58,730
Georgia	\$33,793	\$19,611	\$26,350	\$31,673	\$49,989	\$61,370
Kentucky	\$32,029	\$19,565	\$26,518	\$30,927	\$44,249	\$54,226
Louisiana	\$33,939	\$20,234	\$28,300	\$31,897	\$47,115	\$57,062
Mississippi	\$30,616	\$19,488	\$25,954	\$29,669	\$40,952	\$51,465
North Carolina	\$32,347	\$18,455	\$26,059	\$31,012	\$45,377	\$59,029
South Carolina	\$31,801	\$18,563	\$25,698	\$31,274	\$43,712	\$53,814
Tennessee	\$32,069	\$19,237	\$25,990	\$31,479	\$44,289	\$56,363
Texas	\$35,434	\$20,044	\$27,232	\$34,787	\$51,701	\$67,079
Virginia	\$41,175	\$21,914	\$29,303	\$36,054	\$55,509	\$78,600
West Virginia	\$31,595	\$19,874	\$26,844	\$30,245	\$42,183	\$53,969

in college-going, and federal research grants strengthened universities in the South as elsewhere—though African Americans were often excluded from these programs. And data is clear that the more postsecondary education a person has, the higher their earnings are likely to be.

The significant increase in Southern adults with a BA degree and above also has resulted from in-migration along with the region's own output of college degrees. In every state in the region, born-elsewhere residents exceed born-in-state residents in the percentage with a bachelor's degree or higher. In Virginia, for example, 45 percent of its born-out-of-state population had a bachelor's degree or higher in 2015, compared with just 22 percent of the born-in-state population.

Yet, while a larger percentage of whites and African Americans now receive postsecondary credentials, the disparities among whites and African Americans has grown in most Southern states. The number of white Southerners who earn bachelor's degrees has more than tripled since 1970 in every state except Mississippi and West Virginia (which have more than doubled). The percentage increase for African Americans is similar—but the percentage of African Americans with a BA is still significantly lower than white attainment levels because of a much lower starting point. The disparities are larger when disaggregated by gender. According to the Postsecondary National Policy Institute, college enrollment among African-American males grew at less than half the rate of their female counterparts between 1990 and 2008. Among Latino males, the rate was about two-thirds that of their female counterparts.

Across the region, Southern states face major issues in determining the future of schooling, particularly from pre-Kindergarten through high school. Most states now have a mixed system of traditional public schools, government-funded charter schools, secular and religious private schools, and home schooling. Still, the public schools continue to educate eight out of 10

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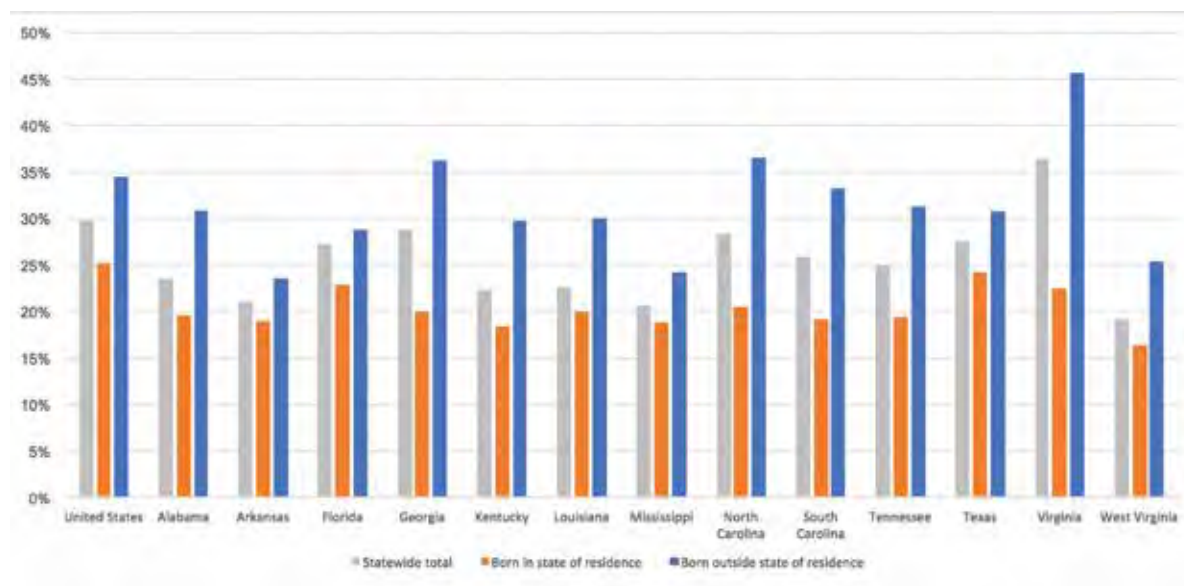
Southern young people. As states have expanded school choices, a decade of budgetary austerity has left most states with a lower relative level of public investment in public schools and higher education than before the Great Recession.

In addition, the gains made in school desegregation have largely slipped away as a consequence of the lifting of court mandates, population shifts, lingering residential segregation, and a lessening of public will for maintaining racial and socio-economic diversity. In its recent report documenting the resegregation of Southern education, the Civil Rights Project of the University of California at Los Angeles noted, "Fifty years ago, the South was in the midst of a rapid and radical transformation of its public schools, going from complete segregation to the most desegregated region of the country for black and white students. Several generations of students were educated in the region's diverse schools, but much of the progress is eroding as the South undergoes another shift toward a tri-racial region where no one group comprises a majority of students."

Importing Talent Has Boosted the South's Education Profile

Percentage of residents with a BA or advanced degree

Source: American Community Survey, 2015 five-year estimates

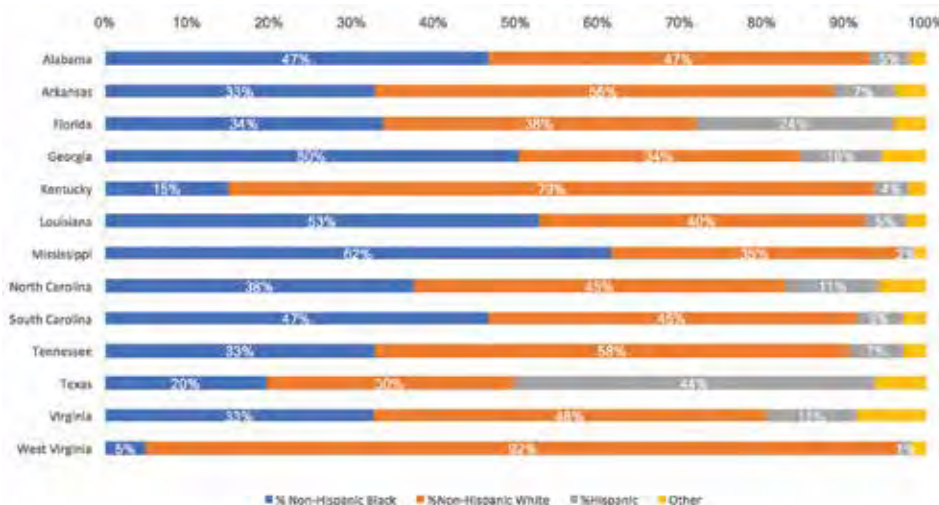




Starting Out a Bit Behind

Births of low birthweight babies by race/ethnicity

Source: The Centers for Disease Control and Prevention



HEALTH CARE: TOO MANY LEFT UNCOVERED

Though it was not a specifically “Southern” law, the passage of Medicare and Medicaid as 1965 amendments to Social Security had an especially profound effect in expanding health insurance to elderly and impoverished Southerners. Medicare offers coverage from federal tax revenue, and like Social Security, it is not means-tested by income. Medicaid provides health insurance to lower-income people, especially women and children, and the elderly who exhaust their resources through long-term care—but its design is markedly different from Medicare.

That design has made it politically contentious across the South over the past five decades. Medicaid is state-administered and requires states to match federal funds with their own tax revenues. Thus, Medicaid consumed a steadily increasing share of states’ budget as health care costs rose. And since Congress adopted the Affordable Care Act in 2010, nine of 13 Southern states declined to expand Medicaid under the law. A disproportionate share of U.S. citizens lacking health insurance comes from the South—of the uninsured, fully 48 percent live in these 13 states.

As the Kaiser Family Foundation, a leading research organization on health, has reported, “Access to health coverage and care is important for Southerners, especially given the high prevalence of chronic health conditions in the South.” In the South are some of the states with the highest rates of heart disease, infant mortality, and cancer-deaths. In most Southern states, the largest share of low-birth weight babies is born to women of color. In 2016, nine states had from 12 percent to 16 percent of its adults with diabetes—all in the South. Five Southern states—West Virginia, Louisiana, Alabama, Mississippi, and Arkansas—led the nation with adult obesity rates of 35 percent or above.

ARC OF POLITICS: FROM 1960S TO 2010S

The “dueling strains” of politics that arose as the South negotiated its 1960s-70s transition continued to shape the political and policy landscape of the region over the succeeding four decades and into 2017-18. The Republican “Southern strategy” initiated by Richard Nixon’s 1968 campaign—appealing to white voters by tapping racial resentment—became so embedded that the South now serves as the essential regional base of the Republican Party.

With the candidacy of Jimmy Carter, a farmer from a Deep South state who became a sensation in 1976, the South grew accustomed to subsequent candidates from the region. Following the presidencies of Ronald Reagan of California and George H.W. Bush of Texas, both of whom ran on a strong Southern base, the Democratic Party rebounded in 1992 with the so-called “Bubba-Bubba ticket” of Bill Clinton of Arkansas and Al Gore Jr. of Tennessee. Subsequently, George W. Bush of Texas won the presidency in 2000, when the U.S. Supreme Court ruled that he had slightly out-pollled Gore in the disputed count in Florida.

Eight years later, Democrat Barack Obama of Illinois swept to victory as the nation’s first black president. In 2008, Obama carried three states of the former Confederacy—Virginia, North Carolina, and Florida. In 2016, Republican Donald Trump of New York drew on abiding white voters’ discontent with the first black president and his agenda to implement nationalist policies that emphasize “law and order”; in the South, he carried every state except Virginia.

While the South appears awash in Republican red on political maps, the region exemplifies the fractures, contentiousness, and uncertainties of American politics. There is a distinct racial divide in Southern politics, with the Republican electorate consisting of 90 percent or more white voters, and the Democratic Party featuring a biracial coalition. There is a distinct geographic divide, with Republicans stronger in rural places and suburbia, and Democrats ascendant in most of the region’s major cities. Potential voters in the Millennial generation appear only loosely connected to a political party. And the political leanings of Latino voters, who earlier split between Democrats and Republicans, are likely to be influenced by Republicans’ harder-line on undocumented residents.

Florida, North Carolina, and Virginia have emerged as swing-state battlegrounds in presidential elections, and their elections for governor, U.S. Senator, and other statewide offices remain competitive for Democrats and Republicans. With their growth and diversity of population, Georgia and possibly Texas may join the ranks of swing-states in the near term.

In 2017, Republicans held 10 of the governors’ offices in the region, and Democrats in three—Louisiana, Virginia, and North Carolina. Significantly, Republicans controlled the legislatures in every Southern state. The GOP’s power in the South since the Great Recession has made its long-held agenda—emphasizing tax cuts to stimulate the economy, tight budgets that have limited investment in public schools, colleges and universities, rejection of Medicaid expansion, and retrenchment on environmental

regulations—dominant across the region.

Now, for Democrats and Republicans, as well as Southerners who remain independent, the question is whether the region’s politics can be transformed, as it was in the late 1960s. Neither party has appealed to Southerners with a fresh agenda aligned with the 21st century need to build thriving, participatory communities amid the turbulence of technological advances, to address the continuous creation-and-destruction of jobs in a globalized economy, and to face the threats arising from environmental pressures.

The larger challenge for the South’s leaders and citizens is to create a narrative that invites full participation in creating shared and sustainable wellbeing that will serve us today and in the future. This is our region’s urgent, collective task.

“Our destiny, our wellbeing as a people, are now tied together,” wrote Ambassador Joseph, “and if we do not act now, generations of youth will be under-prepared, our capacity to thrive in a national and international economy will suffer, the progress we have made will be unraveled, and the values we have affirmed will be eroded.”

Whether and how Southern philanthropy can be a leader in ushering in a “new” New South are the questions underlying this report.

The larger challenge for the South’s leaders and citizens is to create a narrative that invites full participation in creating shared and sustainable wellbeing that will serve us today and in the future. This is our region’s urgent, collective task.





CHAPTER 2: ACCELERATING CHANGE WITH PASSING GEAR PHILANTHROPY

The data in Chapter One paint a picture of the South that is both hopeful and sobering, one that depicts both inspiring forward movement and frustrating inertia on the South's long path toward becoming a region that works well for all its people. Today, too many Southern people and places still fail to flourish. Historic inequities too easily encumber an equal opportunity for all people to thrive. But our region's progress over time signals hope that further advances are possible. Passing Gear Philanthropy can be a catalyst creating the South we aspire to.

Relative to private industry and public investment, individual and institutional philanthropy has historically been an undersized contributor to the South's advancement toward a more flourishing region, a "bit player" in the South's great transformation of the last half of the twentieth century," as Karl Stauber has written. Yet, occasionally and increasingly, Southern philanthropy has shown it can punch above its weight to inspire, accelerate, and deepen society's forward march. The lessons and methods of Passing Gear Philanthropy are fodder and fuel for moving us to a better place.

In the 2007 report, *Philanthropy as the South's Passing Gear*, MDC wrote about the limits and possibilities of philanthropy as an essential ingredient of social advancement:

On the one end, philanthropy is restorative. It can correct excesses, unintended consequences, and harmful results when private markets and public policy miss the mark or fail to act [and]...reminders of philanthropy's restorative role abound in our history. The activities of Eartha White,

Gathering firsthand data from the perspective of people most affected by an issue, especially when their voices are infrequently heard, is essential for an accurate reading of reality.

a legendary nurse, businesswoman, social worker, and political activist in the history of Jacksonville, Fla., make the point. She created a home for unwed mothers, a nursery for children of working mothers, an orphanage for black children, and a nursing home for elderly African Americans. From soup kitchens to homeless shelters, the South has traditionally favored charitable efforts as an everyday restorative when confronted with harsh realities such as poverty, illiteracy, and poor health.

On the other end, philanthropy can be catalytic, imaginative, and pioneering. It can test new ideas, build new institutions, and lower the cost of social innovation by subsidizing risk. In her book, [Claire] Gaudiani credits this kind of "investment oriented" philanthropy with creating a host of innovations that have promoted social equity and competitiveness in America: the private pension, the scholarship fund, the free library,

the modern medical school, and higher education for racial minorities... While the South can point to [some] exceptional examples of catalytic, imaginative, investment oriented philanthropy...the region will need more bold, forward looking philanthropy to spur equity and competitiveness.

Staying the course toward a flourishing region makes the adoption of Passing Gear principles by Southern philanthropy more essential than ever before.

WHAT IS PASSING GEAR PHILANTHROPY?

Paul Ylvisaker was a prolific and inspiring champion for equity and opportunity. Over an exceptional career as a Ford Foundation executive, Harvard Education School dean, urban policymaker, scholar/teacher, and foundation trustee, he wrestled with how society's institutions could add maximum value to the task of human/social progress. The potential of philanthropy to seed and accelerate change became a prime focus of Ylvisaker's energy,

and through direct experimentation and thoughtful analysis he developed in the 1980s a new aspirational identity for American philanthropy: "society's passing gear."¹ "Passing Gear" was an apt metaphor for a country where mobility, idealism, and restless impatience to attain new frontiers was in the DNA, and where, in the last decades of the 20th century, social progress and intractable problems were both vividly apparent.

In the early 2000s, while working with a set of Southern foundations that were eager for deeper impact on structural inequities in education, youth development, and community renewal, MDC began experimenting with an assertively facilitated, values-driven process to engage foundation trustees and staff in the deep analysis and imaginative problem solving that the "passing gear" concept seemed to require. To operationalize Ylvisaker's vision, we drew on the powerful scholarship of Ron Heifetz, Parker Palmer, Susan Wisely, and Donald Schoen to forge to tools and articulate the mindset and methods to develop what has since become Passing Gear practice.

TRADITIONS OF AMERICAN PHILANTHROPY

From Susan Wisely and Elizabeth Lynn

Passing Gear encourages foundations to look and act beyond the limitations and boundaries of each philanthropic tradition. For instance, not all disaster relief needs to involve an external intervention into a community that is in crisis. "Community resilience" strategies intentionally build the capacity of residents

to draw on their inherent wisdom and networks to prepare for emergencies and environmental threats.

As the asterisks indicate, community choruses and community theater demonstrate how the performing arts can be a vehicle for community engagement, just as building a Habitat for Humanity house can enable people to build relationships of mutual trust and regard across the fault lines of income.

TRADITION	IMPULSE	PHILOSOPHY	LIMITS	EXAMPLES
Philanthropy as Relief	Address Immediate Need	"Love thy Neighbor"	Need is limitless	Direct Services (soup kitchens, shelters) Disaster Relief* Emergency Loan Funds
Philanthropy as Improvement	Maximize Human Potential	"Teach a Man to Fish"	What if the pond is empty and the rod is broken?	Scholarships Summer Youth Programs Performing Arts* Housing Rehabilitation*
Philanthropy as Social Reform	Dismantle Structures That Perpetuate Problems	"Change, not Charity"	Who decides what must be reformed?	Investigative Journalism Policy Advocacy and Litigation Public School Reform
Philanthropy as Civic Discourse/Engagement	Build Community	"Only Connect"	Relationships may not lead to action.	Grassroots Organizing Design Charrettes "Community Reads"

PASSING GEAR PHILANTHROPY – THE CORE CONCEPTS

Passing Gear Philanthropy Involves “Adaptive Work”: At its core, Passing Gear Philanthropy is philanthropy that seeks to address what Harvard professor Ron Heifetz calls “adaptive challenges,” problems that arise when our ideals are challenged by the reality of current circumstances and that test the limits of “current

Passing Gear philanthropy is focused on accelerating progress toward shared wellbeing by guiding foundations to deploy resources unconventionally to address structural barriers to equity.

THE ORIGIN OF THE PHRASE ‘PASSING GEAR’ PHILANTHROPY

Paul Ylvisaker first coined the phrase “passing gear” philanthropy in his 1989 essay, “Small Can Be Effective”: “Social action is usually a slow process. Foundations by stepping in can speed up the process, acting as “society’s passing gear.” A notable example of this came when then-Governor Terry Sanford created the North Carolina Fund through the help of local foundations. The fund made it possible for minorities to participate in decisions and programs [that] speeded the adoption and experimentation of a rich variety of solutions to the state’s long-festering social problems.”

READING REALITY TRUTHFULLY

One of the most powerful analytic tools in the Passing Gear tool box is one of the simplest: the Force Field analysis. Derived from the theories of the eminent industrial psychologist Kurt Lewin, Force Field analysis provides a way to map the institutional, cultural, group, and personal behaviors that are either “driving” or “restraining” progress toward a desired goal or outcome.

By arraying “driving” forces on one side of a center line that represents the desired situation and arraying the “restraining” forces on the other side, the Force Field paints the tangible and intangible factors that must either be augmented (the “drivers”) or reduced (the “restraints”) to put a goal in place. Identifying the positive and negative forces that are impinging on a goal allows strategies to be developed to address the forces.

Lewin believed that it is more powerful to address restraining forces than attempt to strengthen drivers, because driving forces tended to generate more resistance, whereas the elimination of resistance opened the path to forward movement toward a desired goal. By helping paint the dynamics underlying the conditions that it aspires to change, the Force Field enables a Passing Gear foundation to read reality truthfully and tailor strategies to remove tangible and intangible to the ideal state.

FORCE FIELD ANALYSIS

Problem: Stop smoking

Driving forces	Status quo line	Restraining forces
Social pressure →		← Habit
Cost →		← Camaraderie
Fear of cancer →		← Relieves anxiety
Kids disapproval →		← Spouse smokes
New laws →		← Dislike coercion
Concern for others →		

Adapted from *Productive Workplaces Revisited: Dignity, Meaning, and Community in the 21st Century*, By Marvin R. Weisbord, (San Francisco: Jossey-Bass, 2004).

technological know-how or routine behavior.”² Passing Gear philanthropy is a response to the “cognitive dissonance that results when [a foundation] examines current reality through the lens of the ideal.”³ Passing Gear philanthropy channels the “restlessness” that arises when a foundation decides to embrace that cognitive dissonance and reconcile glaring social contradictions. It whets, informs, and directs a foundation’s appetite toward a focused vision of what must be “faced and changed” in order to address the nagging gap between society’s aspirational ideals and its routine performance.⁴

Poverty, under-education, health inequities, and environmental degradation in the South are all areas where the gap between our ideals and current reality cannot be closed by current technological know-how or routine behavior. And increasingly the issues that the South must face and change are interconnected, producing so-called “wicked problems” that cry out for inventive responses. Such deep challenges require people to embrace change and to innovate solutions that defy the simple application of conventional knowledge. Passing Gear philanthropy seeks to engage society’s inventiveness and focus its capabilities on situations where current performance is missing the mark. Just as downshifting helps a car accelerate around a slow or stalled vehicle, Passing Gear philanthropy cultivates the will, imagination,

STRUCTURAL AMNESIA AND TALKING ABOUT INCONVENIENT TRUTHS

The sociologist Arlie Hochschild talks about “structural amnesia,” the heavily redacted public history that eliminates troublesome or unpleasant history from the narrative. Constructing and confronting the history timeline is an exploration in what we remember and how we remember.

The process helps detect what is omitted, summoning people into memory, and opening shared space for recognition and advancement. Danville, Va., experienced race riots during the 1960s, but in examining their community history, Passing Gear participants from a local foundation omitted anything whatsoever on their timeline about the 1960s. When the MDC timeline session facilitator noted, “I don’t see anything about the 1960s. Did anything happen here?” A participant explained, “Those were unpleasant times, and we don’t like to talk about them.”

This suppressed narrative was critically important for foundation board members to confront. The unofficial memories buried in this decade’s long gap of silence needed to be brought to the surface, to be given value, and to become part of the prevailing community narrative in order to open a space for creative thinking about the foundation’s role in the present and potential future.

FIVE FORMS OF PHILANTHROPIC CAPITAL

Social

Utilizes networks and relationships to foster change

Moral

Takes courageous, sometimes counter-cultural positions on important issues

Intellectual

Disseminates data and meaningful information to community partners and grantees

Reputational

Changes the civic conversation about the future direction of the community

Financial

Makes grants and program/mission-related investments

and know-how to enable caring and concerned people to address contradictions between the ideals we hold about the world we inhabit and the disappointing realities we confront daily.

Passing Gear Philanthropy Requires Imaginative Inquiry in Analysis, Strategy, and Implementation: Exercising the adaptive leadership that Passing Gear philanthropy requires involves clear analysis and imaginative strategy. It does not prescribe the actions a foundation should take. As Craig Dykstra, a scholar of religion and leadership and a longtime officer of the Indianapolis-based Lilly Endowment, has written, such leadership requires that we “read reality truthfully and take action responsibly.” Passing Gear philanthropy is grounded in sharp, nuanced analysis of the current situation and the ways in which the “adaptive challenge” is causing harm and leading society to fall short of its capacity for humane, compassionate, equitable, and sustainable outcomes. It is grounded in open-eyed, open-minded, open-hearted examination of the world as it is, a carefully measured calculation of the distance to be traveled to achieve alignment with our animating values, and the creation of an inventive and courageous path to bridge the divide. As we will see in Chapter Three of this report, an increasing number of Southern foundations are practicing such adaptive leadership today across our region.

Thoughtful action aligned with clear analysis is a further hallmark of Passing Gear philanthropy. As veteran Miami philanthropist Ruth Shack has memorably stated, the job of philanthropy is to “know our community deeply and to respond with affection.” Deep knowing requires strong analysis of the context in which a foundation seeks to act. It involves what leadership scholar Warren Benis has labeled “hindsight” (historical analysis of the patterns of response and avoidance that have produced current conditions), “foresight” (looking into the emerging future through the examination of trend data), “peripheral vision,” and “depth perception” (by tapping the

² Heifetz, Ronald A. *Leadership Without Easy Answers*. Cambridge: Harvard University Press, 1998, Print.

³ *Building Communities of Conscience and Conviction*. MDC, 1997.

⁴ “As Much Truth As One Can Bear.” James Baldwin, *The New York Times Book Review*: 1962.

viewpoints of likely and unlikely informants who “read reality” from perspectives other than our own).

By “reading reality” through the lens of clearly articulated values, Passing Gear philanthropy defines the adaptive contradictions that require attention. It uses “imaginative inquiry” to probe the reasons that the adaptive contradictions exist and persist, to understand where and why there is positive forward movement, and to generate imaginative responses to current conditions. The capacity to “interview” the data is a key tool for understanding how to move from analysis to action: “What lies underneath the South’s stubborn patterns of stalled social mobility?” “How do we understand and untangle the numerous factors that contribute to vexing problems?”

Over time, Passing Gear foundations make the work of imaginative inquiry a cultural norm, or a “*habit of mind*,” as they regularly and consistently seek to read reality truthfully, interview data and history to sharpen their analysis, incorporate expertise and disciplined reflection to inform strategy, and rigorously draw lessons from examining the impact of their own work and that of their peers.

Passing Gear Philanthropy Recognizes and Deploys a Full Range of Philanthropic Methods and Tools to Address Adaptive Challenges:

Passing Gear philanthropy seeks to focus attention on addressing the “upstream” factors that cause problems to persist rather than “downstream” symptoms that should command traditional/conventional charitable attention. Philanthropy scholars Susan Wisely and Elizabeth Lynn note an evolution in American philanthropy’s mindset and assumptions about how to address social challenges. The history of American philanthropy begins with charitable giving inspired by the Good Samaritan’s response to immediate need, an approach that involves “acquiescing to the way things are,” in the words of philanthropy scholar Amy Kass. Then, as society industrializes and social inequities begin to proliferate, philanthropy evolves to reflect Andrew Carnegie’s belief in supporting mechanisms—such as public libraries—for able and ambitious people to advance themselves, which Kass describes as benefiting those “well situated with climbing skills.” Later, during the Progressive Era, when social analysis shifts to reveal limits to Carnegie’s self-help doctrine, a more activist philanthropy emerges to focus on removing structural barriers to progress and on driving deep social reform, taking what Kass labels “a proactive role to solve public problems.” And when the limits to well-meaning, top-down philanthropy become apparent, a new philanthropic tradition arises to foster democratic problem-solving through public engagement, “building connections among ordinary citizens” with the goal of spurring “new visions and fresh actions.” To Wisely and Lynn, each of these “philanthropic traditions” has value and each has inherent limitations. In their framework, some philanthropic traditions are better suited than others to addressing the causes of embedded social problems or at unleashing humanity’s creative capacity to invent adaptive solutions to deep structural inequities. Given Southern philanthropy’s historic predilection for charitable relief over social reform, success at meeting our region’s significant adaptive challenges will necessarily involve shifting the prevailing mindset and assumptions about the role and purpose of philanthropy to

INEQUITY HIDDEN IN PLAIN SIGHT

Viewers come away from the 2005 documentary, *The Corridor of Shame: The Neglect of South Carolina’s Rural Schools*, with unforgettable images: children in coats, hats, and gloves in unheated classrooms; leaky windows and collapsed ceilings; rusted water fountains and raw sewage in hallways and closets; and nearly empty library shelves.

A quarter of a century after Neil Armstrong stepped onto the moon, the film shows a textbook that proclaims, “Some day, man will walk on the moon.” *The Corridor of Shame*, produced and directed by Charleston native Bud Ferillo, focused on eight school districts along I-95 with the purpose of putting a human face on the statistical evidence in a court case seeking to bolster funding for rural schools. Ferillo raised \$75,000 from 16 philanthropic organizations and 21 individuals to make the film. By helping illuminate unacceptable conditions that were “hidden in plain sight,” the Ferillo film, and the philanthropic investment behind it, advanced a tradition of spurring change by building public understanding of troubling issues.

www.corridorofshame.com

one that is more compatible with upstream investing.

Passing Gear philanthropy recognizes that foundations are about more than their financial assets. Ambassador James Joseph, CEO Emeritus of the Council on Foundations and Chair Emeritus of the MDC board of directors, has illuminated five dimensions of philanthropic capital that together constitute a formidable reservoir of resources for addressing Heifetz’s adaptive challenges. Foundations have the ability to leverage their **social capital**, the influential networks and relationships that are indispensable to reform. They can marshal **moral capital**, by alerting society to social contradictions that are “hidden in plain sight” (See “*Inequity Hidden in Plain Sight*,” above, right.) They can deploy **intellectual capital**, sponsoring research, cultivating knowledge, and building the capacity of leadership to turn that knowledge into action. They can make courageous use of their **reputational capital**, the weight that comes from privilege to support nascent or unpopular causes that require a brave early adopter. Finally, foundations can deploy their **financial capital** creatively. Social, Moral, Intellectual, Reputational, and Financial capital (now known by the acronym “SMIRF,” popularized by Minneapolis foundation leader Randi Roth) belong in the toolbox of every Passing Gear philanthropist.

Finally, Passing Gear philanthropy is about action and reflection, learning while doing. Precisely because adaptive challenges test and even defy known solutions, Passing Gear philanthropy involves willingness to “enter into new confusions and uncertainties,” as Donald Schon writes in *The Reflective Practitioner*.⁵ The more Southern philanthropy is willing to assume the risk of adaptive

⁵ Schon, Donald A. *The Reflective Practitioner: How Professionals Think in Action*. New York City: Basic Books, 1984, Print.

work, wisely engage challenges that have eluded conventional solutions, and adds to our collective knowledge of how to close the gap between the current reality and a flourishing, equitable future, the more it will be “Passing Gear.”

HOW DOES A FOUNDATION BECOME A “PASSING GEAR” PHILANTHROPY?

Passing Gear philanthropy is focused on accelerating progress toward shared well-being. It operates from the premise that by applying a set of core concepts and in a disciplined way, it is possible for a foundation to cultivate a strategic mindset and to deploy its resources unconventionally to address structural impediments to equity. In our work with foundation staff and trustees, MDC guides them through a formative process designed to spark imaginative inquiry and produce a strategy for applying a full range of philanthropic capital to advance what we refer to as a “North Star” vision: a motivational picture of desired future conditions that matches the foundation’s aspirational values. MDC’s facilitated process is organized into two phases that correspond to Craig Dykstra’s defining requirements for leadership. First, we help foundation decision makers “read reality truthfully” through a deep contextual and environmental analysis that results in elevating the issues that are calling out for foundation action. Then we help them “take action responsibly” by creating a strategic roadmap that is intentional about deploying the foundation’s tangible assets and intangible resources to move beyond immediate charitable relief to institutional and community practice, culture, systems, and policy.

Reading Reality by Examining History: Among the most important tools for cultivating Passing Gear insight is the close examination of history. Too many planning efforts pay scant attention to history, preferring instead to stand in the present and gaze into the future. But changing current history, practice, and policy first requires understanding how current conditions came about, exploring why they endure, and assessing what can be learned from past attempts at change. The Passing Gear process invites foundations to examine history by working with staff and trustees to build and analyze a physical “history timeline” that paints a visual portrait of



Timeline exercise with notes marking moments in community history

the factors, forces, and choices—both intentional and unintentional—that have produced the current situation that is calling for change. Creating a visual picture of the arc of history, replete with turning points,

bold advances, pushbacks, and reversals creates a powerful narrative canvas. When foundation leaders then “stand back” from the historical picture and examine patterns from a critical distance—much as a museum goer would do with an actual painting—patterns emerge that illuminate often concealed

truths about community, culture, systems and leadership. MDC supports this critical analysis by facilitating a process in which foundation decision-makers “interview the timeline” through focusing questions to analyze the community’s behavior and the foundation’s role in it:

- When did we exhibit foresight in addressing a key opportunity or challenge?
- When did we exhibit courage?
- When did we fail to act?
- Whose interests were advanced by the choices made by leaders?
- Whose interests were ignored or subordinated?
- What does history tell us about our appetite and capability to engage in addressing upstream challenges to shared well-being and attacking vexing problems that contradict our aspirations?
- In light of this analysis, what ways of working should we carry forward? What ways of working must change to produce the change we seek?

The answers to these questions illuminate how a community or system habitually responds when faced with the need or opportunity to change. This understanding is essential for developing effective foundation strategy.

READING REALITY BY EXAMINING DATA

What is the emerging future likely to look like? How are key trends shaping the environment in which the foundation is being called to act? After examining the lessons of history, the Passing Gear process engages foundation decision-makers in exploring data and scenarios about the future. To support imaginative inquiry

EVALUATIVE THINKING

As evaluation consultant Michael Quinn Patton writes, “Evaluative thinking is systematic *results-oriented thinking* about what results are expected, how results can be achieved, what evidence is needed to inform future actions and judgments, and how results can be improved in the future. Evaluative thinking becomes most meaningful when it is embedded in an organization’s culture. This means the people in the organization expect to engage with each other in clarifying key concepts, differentiating means and ends, thinking in terms of outcomes, examining the quality of evidence available about effectiveness, and supporting their opinions and judgments with evidence... Critical thinking and reflection are valued and reinforced... Integrating evaluation into organizational culture means ‘mainstreaming evaluation,’ that is, making it central to the work rather than an add-on.”

READING REALITY TRUTHFULLY: AVOIDING THE SNARE OF CONFIRMATION BIAS

Psychologists use the term “confirmation bias” to describe the human tendency to use information to reinforce our existing beliefs rather than to challenge our assumptions and to ignore data and ideas that contradict our prevailing views. The discipline of “reading reality truthfully” is a fundamental Habit of Mind for practitioners of Passing Gear Philanthropy, but care is required to avoid the snare of confirmation bias as we undertake it. How can we inoculate ourselves as we interview history and data so that our reading of reality is as objective as possible?

First, foundations can deliberately seek out non-conforming perspectives as they seek to draw meaning by interviewing their history and data, and as they assess the implications of their own grantmaking. For a foundation board, this can begin with the courageous step of ensuring a diversity of perspectives in its own board and staff. When the Mary Reynolds Babcock Foundation, a family foundation, took the step of enriching its board with people whose “lived experience” could illuminate the issues of poverty and injustice that the Foundation sought to

address, the board’s ability to overcome confirmation bias was strengthened decisively. Commenting on a grant proposal, one of the new board members told her fellow directors, “I don’t hear the voice of the people in this proposal.” Not only did that comment cause the board to stop and take notice, but trustees began to see how susceptible they had been to confirmation bias in their prior deliberations.

When changing board and staff composition is not feasible, advisory committees can be used to correct for cultural astigmatism when reading reality. For instance, advisory committees or focus groups composed of youth can add an enriching generational perspective to boards composed of more seasoned members. Research advisory committees can include practitioners from the field to help form connections among research, policy-setting, and practice, both in defining at the outset and then disseminating the research.

Second, foundations can make the act of “reading reality” more intentionally inclusive by engaging a wider circle of actors to examine the implications of history and data, and in setting strategy. When Greenville, S.C., engaged nearly 50 grantmakers—board members and staff—

in an examination of an historical timeline, some participants took the opportunity to augment the community’s prevailing interpretations of its history by adding new data and fresh analysis. Said one African-American participant, “The timeline I see is not my community’s timeline.” With that, the MDC facilitators invited participants to enrich the timeline data with the addition of Post-It notes describing previously absent events and their impact on the African-American community, and the stage was set for a more inclusive and self-challenging “reading of reality” that would not have been the case with a more homogeneous group. Experts are often people with direct “lived experience” whose firsthand knowledge can illuminate understanding of conditions.

Today, organizations like Grantmakers for Southern Progress continue to elevate the value of including historically silent and sidelined voices in shaping foundation priorities and practices.

As the Southern philanthropy is challenged to understand and act in an increasingly diverse South, intention to the slippery slope of confirmation bias is essential to develop clear analysis and sure-footed strategy.

THE FIVE WHY’S

Passing Gear Philanthropy challenges foundations to uncover the assumptions about and the rationale for the work it chooses to do. One tool, the “Five Why’s,” provides a simple way to get at what’s beneath the surface of decision-making and to think about it more expansively.

We ask the question, “Why?” and ask it not once but successively to an excavation depth of about five times. The first “why?” is easily answered. The successive “why’s” challenge assumptions and suggest a need for deeper analytical thinking.

For instance, in an exercise that reviews a foundation’s current grants allocations, a staff or board member might say, “We like supporting Program X. It is a good program that fits with our goals.” “Why?” “Because we want to focus a good proportion of our resources on K-3 schooling.” “Why?” “Because that will help close school achievement gaps later on.” “Why later on? How do you know?” “Because I read an article about research that tells us that reading at grade level at the end of third grade is a strong predictor of improved school achievement.” “Why? Is that because such an intervention is powerful in and of itself, that you can get kids equal at the starting line and that’s all you need to do, or is it because schools that have strong K-3 programs tend to continue to have strong programs post-third grade.” “I don’t know about what further interventions might be needed. I don’t think getting kids equal at the starting line is enough.” “Why?”

about the emerging future, MDC develops data on demographics, education, income, wealth and poverty, health and wellness, and other critical factors, disaggregating the data by race, gender, and age and extracting trend information so that disparities and patterns are more apparent. By facilitating probing discussion of these data in a group setting, the Passing Gear process enables foundation leaders to see “around the corner and over the transom” as Ralph Smith, a veteran foundation leader, has said. Since few foundation boards and staff take time to build a collective reading of the future, the act of “interviewing data” together is powerful and helps reinforce a culture and mindset of critical analysis necessary to sustaining Passing Gear practice. Gathering firsthand data from the perspective of people most affected by an issue, especially when their voices are infrequently heard. This is essential for an accurate reading of reality.

TAKING ACTION RESPONSIBLY: DEFINING THE NORTH STAR

Having examined history and its lessons and the context for change, the Passing Gear process then considers questions of the foundation’s values, vision, and aspirational purpose:

- What core values define who we are and what we stand for?
- When we read reality through the lens of those values, what calls to us? What aspirational change in the current situation do we seek to bring about through our actions and influence? What is the North Star that should define our designation and be our point of orientation in the journey of change?
- How will we know when the impact of our proposed actions will match the aspirations our values require?
- How can our accountability extend to the people who are directly affected by the issues we are working on? What voice can and should they have in shaping our strategy and assessing our effectiveness?

Wrestling with these questions is hard work. Much of MDC’s Passing Gear experience has been with foundations that are motivated to address the gap between current reality and shared well-being. We have found it important to help these foundations clarify and name the values that support their convictions and sustain their commitment as a first step in deciding “what to do.” Guiding values typically describe both the ground rules that the foundation considers necessary for a healthy and coherent society, such as fairness, equity, and respect for the dignity and human potential of all people, and operational rules for how the foundation wishes to operate—transparency, honesty, humility, and openness to learning. Helping a foundation get clear on the values that drive both their purpose and their process is key to “taking action responsibly.”

Defining a North Star—an aspirational GPS for the world the foundation hopes to secure—is pivotal to the Passing Gear process. Here is where the foundation determines its aspirational appetite. The conversation between values and data shapes the

North Star precisely because Passing Gear seeks to address the cognitive dissonance that results when the current situation is examined through the realm of the ideal.

The North Star describes what would result if the dissonance could be resolved—what the world would look like if aspirational values and the world we experience could be brought into alignment. The North Star is also a provocation to the foundation: alignment between values and data can be achieved either by changing the outcomes that the data describe or by diluting the convictions that define the foundation’s character and ambitions. The choice of “aiming low” is always present, but it is incompatible with true “Passing Gear.”

Defining a North Star—an aspirational GPS for the world the foundation hopes to secure—is pivotal to the Passing Gear process.

TAKING ACTION RESPONSIBLY: A PLAN TO ACHIEVE THE ‘WINNING ASPIRATION’

Once the aspirational North Star is clear, the Passing Gear process turns to *how*: what is the foundation’s strategy and what is the plan to realize it? How does the foundation move from a cluster of concerns to focused work? Questions abound at this point, among them:

- *The Role of Expertise*: Where do research and experience say we should place our bets? Of the many things it is possible to do, what is necessary, feasible, and likely to produce a social return on investment given the foundation’s time horizon, resources, and tolerance for risk? What knowledge and expertise needs to reside in the foundation in order for our work to be effective? What knowledge and expertise do we need to cultivate in order to complement our internal capacity? How can expert knowledge be tailored to the context in which we work? How can the foundation strengthen its capacity for research-based exploration and imaginative strategic inquiry?
- *The Optimal Deployment of Capital*: What mix of our tangible and intangible capital (SMIRF) can we deploy toward the North Star? How can we leverage and augment those forms of capital that we lack? What underutilized capital exists in the institutions, communities, and populations that we care about and need to engage?
- *A Broad Meaning of “Acting Responsibly”*: Responsible action involves accountability. To whom is the foundation accountable in carrying out its transformative work? Here the Passing Gear attributes of “hindsight” and “foresight” can offer a corrective

INTERVIEWING THE GRANTS

To decide whether a foundation’s analysis requires a reallocation of philanthropic capital, part of the Passing Gear strategy includes “interviewing” the grants and playing what we call the “allocations game,” creating a “before and after” chart.

Just as we “interview” data and history, we challenge foundations to analyze their past and current funding across the four traditions of philanthropy and the five forms of capital (4 plus 5). Which of the four traditions has the foundation deployed, and in what proportion? Why did we make this allocation? How has the foundation leveraged its grantmaking resources? How has the foundation, with intentionality, answered the questions, “Why is this issue worth addressing?”

“Who is most affected?” “What do we seek to change?” “With whom will we partner?” “How will we proceed, using what levers of change?” Applying this habit of inquiry, we begin to develop the “before” chart starting with this analysis of the past.

After this illuminating “interviewing the grants” exercise, we proceed to the “Strategic Allocations Activity: Looking to the Future,” often breaking into groups to apply Passing Gear’s analytic questioning of the past and present to the foundation’s future work. “Given the future we aspire to, we see ourselves allocating our prospective funding across 4 plus 5 in the following ways.” After coming to agreement, board and staff employ this “after” chart, filled in, as a seminal, guiding document for future planning and evaluative thinking.

STRATEGIC ALLOCATIONS ACTIVITY

Looking to the Future

In 10 years, how should the foundation’s funding be distributed across the Traditions of Philanthropy? What Forms of Capital (SMIRF: Social, Moral, Intellectual, Reputational, and Financial) should be deployed with each Tradition in order to make a strong difference for the region and its people?

	How is your funding distributed now?		How should your funding be distributed for Passing Gear impact?	
	Percentage (totals 100)	SMIRF deployed	Percentage (totals 100)	SMIRF deployed
Traditions of Philanthropy				
Relief (addresses immediate need)				
Improvement (maximize human potential)				
Social Reform (dismantle structures that perpetuate problems)				
Civic Engagement (build community)				



challenge to conventional thinking. The Roman historian Tacitus described patriotism as “praiseworthy competition with our ancestors.” How can a foundation be responsible for upholding the highest and most humane ideas of the past? And the Iroquois Confederation regularly considered the impact its major decisions would have on the seventh future generation. What could “taking action responsibly” mean when considered against such imaginative consideration of past and future?

- How will we measure progress, impact, and Social Return on Investment?
- How will we learn from experience?

In helping a foundation determine which of the Wisely/Lynn philanthropic traditions and which forms of capital are best suited to addressing the contradictions it wishes to “face and change,” MDC often employs what we call “the allocations game” (see page 13). The game invites foundation decision makers to decide how they would allocate their philanthropic SMIRF across one or more of the four traditions to forge a powerful response to the issues the foundation seeks to address. Each member of the board or staff completes an individual allocation and then the allocations are compared and the strategic assumptions behind them are discussed. Sometimes the allocations and underlying assumptions are in harmony, but frequently not. By modeling a hypothetical deployment of SMIRF across the philanthropic traditions, this engaging Passing Gear tool provides an illuminating snapshot into whether a foundation’s decision makers are unified about

Passing Gear philanthropy recognizes that foundations are about more than their financial assets.

their “theory of action” and social investment (see “Interviewing the Grants” on page 13). Setting strategy can be *fun*.

Fundamental questions of strategy and tactics converge in a Passing Gear Action Plan for the foundation. Models for strategic planning abound. MDC has found that the “strategy cascade” framework as developed by Roger Martin at the University of Toronto and by staff of the Monitor Institute offers a fresh and accessible way to consolidate strategy development and planning. By asking four high-level questions, the Monitor Group’s version of the strategy cascade provides a clear template for summarizing the thinking

generated by the Passing Gear process as seen below:

- What is our vision and theory of change? What social challenges are we working to address and how do we believe that we can make a difference?
- Where will we play? What part of the problem should we work on, what role should we play, and where will we focus our efforts?
- How will we succeed? What actions, adaptations, and economic model are required and how will we measure our success? (see “Evaluative Thinking,” p. 10)
- What capabilities will we need? What skills and abilities will we need, individually and collectively, to create the impact we’ve set out to achieve? (See “Office of Second Thoughts,” at right)

Below we can see how the Passing Gear process informs these fundamental strategy questions. By following the PGP process, a foundation can address fundamental strategy questions at a deep and discerning level:

What is our vision and theory of change?

Reading Reality Truthfully: History and Data
Taking Action Responsibly: North Star
Allocations Game

Where will we play?

History, Data, Values, North Star, and the Role of Expertise



AN “OFFICE OF SECOND THOUGHTS”

In a provocative article, “How to Make a Big Foundation Effective,” William A. Schambra of the Hudson Institute recommends that the Bill & Melinda Gates Foundation establish an “Office of Second Thoughts” to encourage self-examination and democratic accountability. Even if they do not set up such an office, Southern foundations would benefit themselves, and their region, by addressing such questions as:

- What competing, alternative paths are we rejecting when we choose this particular approach to a problem, and what are we losing as a result?
- In our established grants programs, have inertia, political correctness, personal ties, or lack of imagination confined the foundation to obsolete or discredited frameworks?
- What unintended and overlooked consequences flow from the path we are choosing? Are the experts who run our program displacing elected and civic leaders who are essential to its sustained progress?
- Are our activities inadvertently creating problems for democratic accountability?

One does not have to be a Bill or Melinda Gates to appreciate the importance of such counterbalancing questions to organized philanthropy, which runs the risk of being “hidebound, localized, and traditional” — and inherently undemocratic.

William A Schambra, ‘How to Make a Big Foundation Effective’, Chronicle of Philanthropy, 14 September 2006.

How will we succeed?

Traditions of Philanthropy

SMIRF

Accountability Broadly Considered

Evaluative Thinking

What capabilities will we need?

The Role of Expertise

SMIRF (as a tool for internal self-assessment)

At its core, Passing Gear philanthropy is about the wise and courageous deployment of the social and economic privilege foundations enjoy in a democratic society.

EPILOGUE

When a foundation chooses to embrace a Passing Gear identity, it is deciding to leave the secure harbor of traditional charitable activity and venture into challenging, sometimes uncharted depths. Institutional courage is involved whenever a foundation feels the call to address deep contradictions between society’s ideals and unacceptable performance on issues that define shared wellbeing. At its core, therefore, Passing Gear philanthropy is about the wise and courageous deployment of the social and economic privilege foundations enjoy in a democratic society. With all its potential and all its unresolved pain, the South needs more of its foundations to embark on that courageous voyage.

So the words of a 16th century prayer have poignant meaning for Southern philanthropy as it contemplates embracing the Passing Gear challenge:

*Disturb us, Lord, when
We are too pleased with ourselves,
When our dreams have come true
Because we dreamed too little,
When we arrived safely
Because we sailed too close to the shore.*

*Disturb us, Lord, when
with the abundance of things we possess
We have lost our thirst
For the waters of life;
Having fallen in love with life,
We have ceased to dream of eternity
And in our efforts to build a new earth,
We have allowed our vision
Of the new Heaven to dim.*

*Disturb us, Lord, to dare more boldly,
To venture on wilder seas
Where storms will show Your mastery;
Where losing sight of land,
We shall find the stars.*

*We ask you to push back
The horizons of our hopes;
And to push back the future
In strength, courage, hope, and love.*

PASSING GEAR PHILANTHROPY IN THE SOUTH: CHANGES AND ADVANCES OVER 10 YEARS

In the 2007 State of the South report, MDC called for “more philanthropy and different philanthropy” to address the region’s profound challenges and extend the possibility of shared wellbeing to people and places on the margins. We also challenged current and future philanthropic leaders to act with intention to smooth out the region’s peaks, valleys, and geographic desserts of philanthropic investment.

In the years preceding our last report, our country has continued to recover from the Great Recession—a collapse that wiped out the accumulated wealth of a large portion of a generation of Americans through the stock and housing markets. The philanthropic sector was certainly not immune to the financial sector’s collapse; yet despite the observable dip in the region’s assets from 2007 to 2009, the net growth in the number of foundations, their reported assets, and most importantly in their grantmaking, is impressive. In this section, our analysis examines patterns of grantmaking (subject, geographic footprint, and the strategies deployed) behind these impressive changes to the region’s philanthropic assets—while fissures in some of the region’s most significant goals, like closing the racial educational attainment gap, have remained.

Between 2004 and 2014 the region witnessed a 34 percent

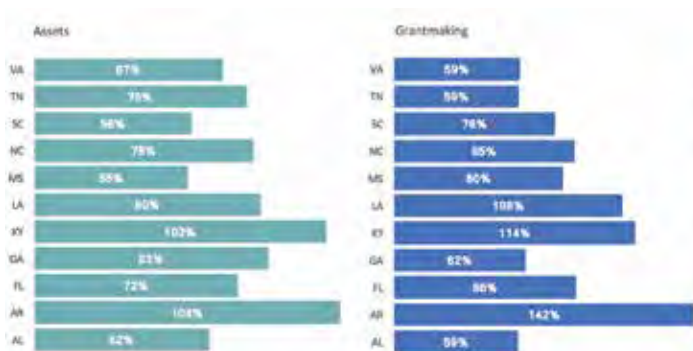
growth in the number of foundations, a 76 percent growth in the value of assets, and an 81 percent growth in the total giving. Family foundations accounted for nearly 70 percent of the growth in the number of foundations, and 44 percent in the growth of the region’s philanthropic assets. Community foundation assets soared by 131 percent. Meanwhile, independent foundations (not including family foundations) accounted for 31 percent of the growth in the number of foundations, and 32 percent of the overall growth in assets.

At the state-level, patterns of growth reveal enduring gaps between those states with deep philanthropic assets and those without. In fact, the proportional share of philanthropic assets by state remains virtually unchanged—the largest percent-point change for a state is in Arkansas (increasing its share of the region’s philanthropic assets from 5.3% in 2004 to 6.3% in 2014). Florida,

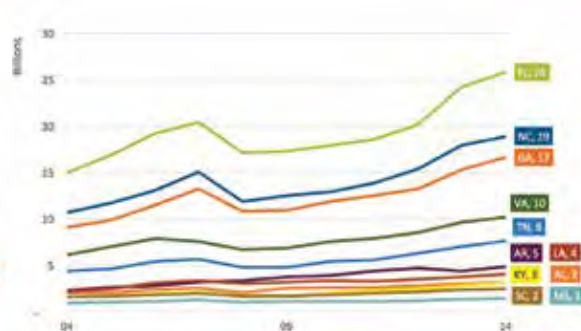
Significant Philanthropic Growth—Regional Distribution Of Assets Remains Unchanged

Source: Foundation Center, 2017

Change in assets, grantmaking, and number of Southern Foundations (2004–2014)



Total Foundation Assets, by State (2004–2014)



Georgia, North Carolina, and Virginia accounted for nearly 72 percent of the region's overall foundation assets.

While the distribution of philanthropic assets by state remains virtually unchanged, states with the largest growth in assets were surprising: the list includes Arkansas, Kentucky, and Louisiana (142%, 114%, and 108% respectively). When the growth in assets by state is broken down by foundation type, there are many notable standouts in the region: Arkansas and Mississippi had more than 400 percent growth in assets from community foundations. Meanwhile, corporate foundations in Arkansas, Florida, Kentucky, and Mississippi all have growth in foundation assets of more than 200 percent (with Florida at nearly 400 percent growth).

EXAMINING CHANGES IN SOUTHERN PHILANTHROPY THROUGH A PASSING GEAR LENS

Our research examined quantitative data from the Foundation Center on philanthropic giving in the 10-year period of 2004 to 2014. Using the Foundation Center's Philanthropic Classification System (which represents the most comprehensive taxonomy of grantmaking available), we selected a set of grant subjects (the issues or topics being addressed, such as community and economic development, human rights, or equal opportunity in education), support strategies (the activities supported by the grant, such as technical assistance or organizational capacity building), and additional filters to identify foundation grants that can be considered "passing gear"—investments focused on "upstream" solutions to complex, adaptive challenges. (The analytic methodology is detailed at the end of this chapter). In total, we examined 28,000 unique grants of \$50,000 or greater made by funders inside and outside the South to nonprofit organizations in the region.

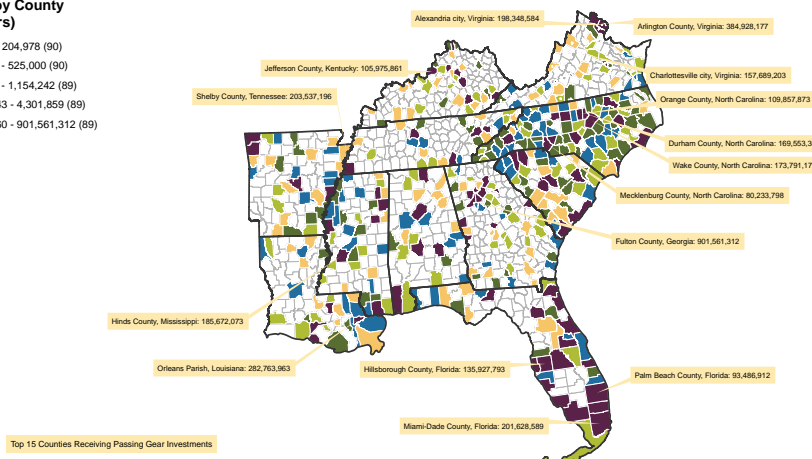
To guide the analysis of grantmaking during the 10-year period, we created a set of framing questions intended to more deeply probe observable grantmaking patterns at the county level. These questions were designed to explore specific intentions about what is being funded (subjects), what strategies are advanced or supported by the work, and what form a grant takes when awarded to a recipient organization. The questions included:

Landscape of Passing Gear Investments in the South

Top 15 Southern counties receiving the largest cumulative Passing Gear investments (2004–2014)

Source: Foundation Center, 2017; Analysis by MDC

Total Passing Gear Grant Dollars Received by County (All Funders)



Top 15 Counties Receiving Passing Gear Investments

- How closely do the investments appear to align with the observable challenges facing the region?
- What are the patterns of investment associated with grant subjects (focus)?
- How deeply is Southern-based philanthropy investing in the region's persistently poor counties?
- What if any observable differences are there between Southern-based philanthropy and non-Southern based philanthropy in the location of investment or the way in which grants are made by subject-area (the "what" of the work, e.g. youth development or education services), or how the work advances the stated goals (e.g. advocacy, systems reform, capacity-building and/or technical assistance)?
- Where are the observable peaks, valleys, or deserts of philanthropic grantmaking in the region?

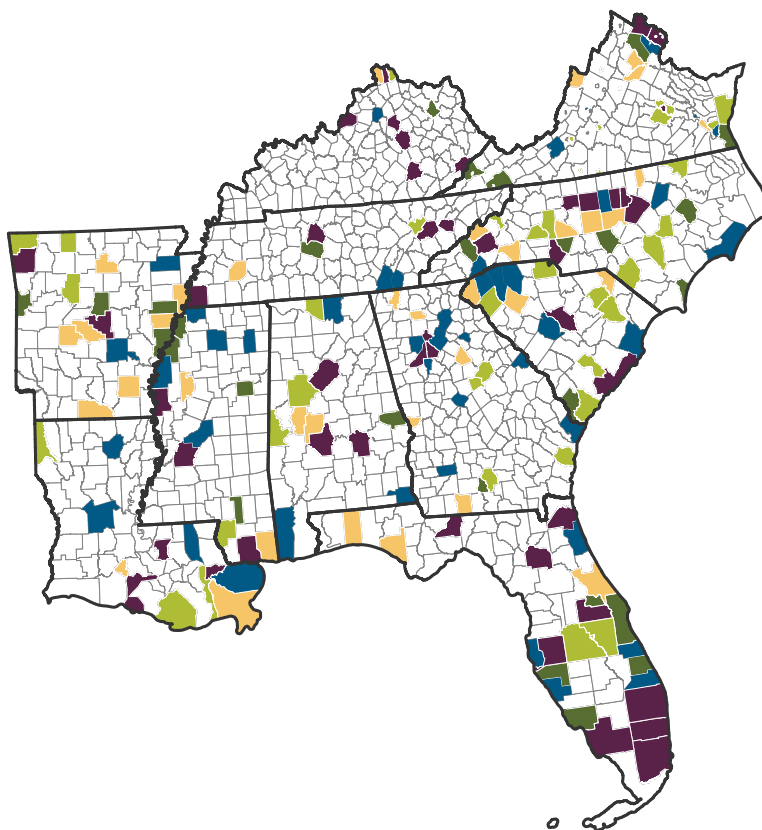
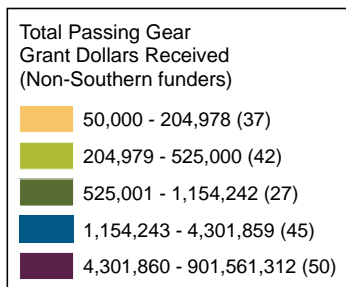
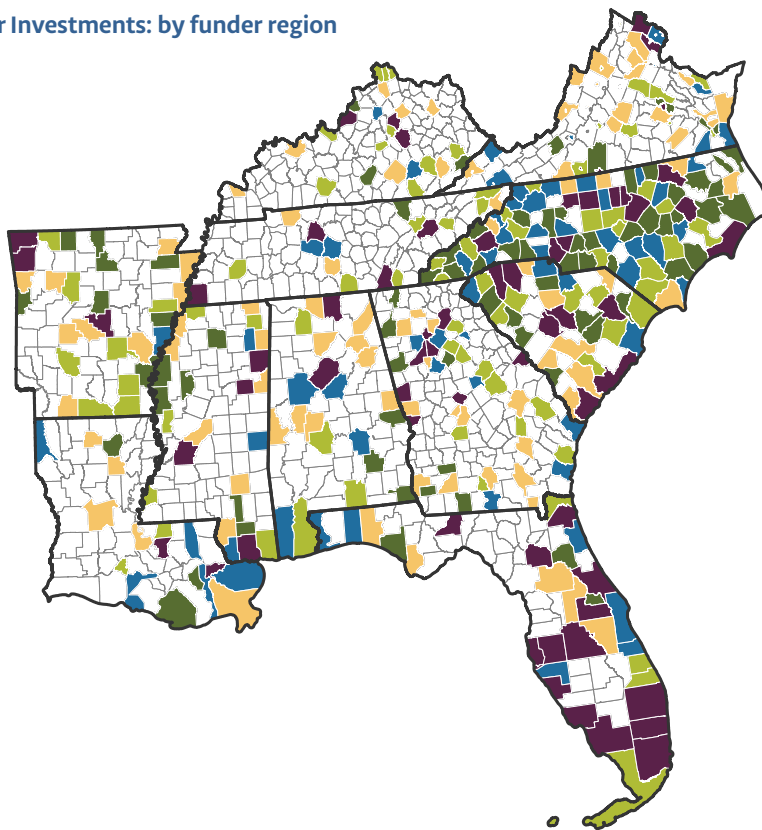
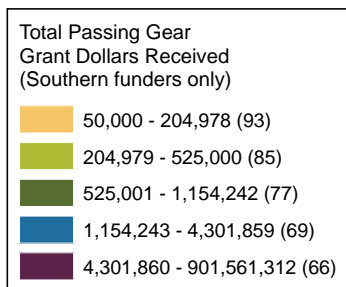
PHILANTHROPIC PEAKS, VALLEYS AND DESERTS

Based upon the location of the recipient organization, 56% percent of the South's counties did not receive direct grant funding of \$50,000 or more in any of the Passing Gear categories over a 10-year period. One quarter (25 percent) of the South's total population, and 26 percent of the region's poor population (under 100 percent of the federal poverty line) live in counties with no Passing Gear investments. Kentucky and Tennessee have the largest share of counties without direct investment.

The top localities receiving Passing Gear grants are university towns, centers of research, headquarters locations for significant nonprofit organizations, and major metros. This is not surprising because these counties host much of the region's research and institutional capacity, and are among the region's most densely

Geographic footprint of Passing Gear Investments: by funder region

Source: Foundation Center, 2017; Analysis by MDC



populated places. In descending order, these five counties received most of the South's passing gear investments: Fulton (Ga.), Arlington (Va.), Orleans Parish (La.), Shelby (Tenn.), and Dade County (Fla.). Atlanta is the dominant metropolis of the South and home to major research and nonprofit institutions that address Passing Gear issues. Arlington County is headquarters to numerous national nonprofit organizations. Funding for Katrina relief and redevelopment was a major factor in Orleans Parish's ranking. A major grant for public school reform from the Gates Foundation tipped Shelby County (Memphis) into the top five.

INVESTMENTS BY SOUTHERN FUNDERS AND INVESTMENTS BY FUNDERS OUTSIDE THE REGION

Differences in the investment patterns of Southern versus non-Southern-based philanthropy reveal a clear divide in how broadly Passing Gear investments are distributed across the region. Of the 447 counties receiving direct investment, Southern funders have made direct investments in 87% (390) of the counties, while non-Southern funders have made direct investments in 57 percent (258). Over the 10-year period, only 45 percent of the counties with direct investments have received a combination of both Southern and non-Southern based grant dollars.

Most notable is the presence of Passing Gear investments received by counties in North and South Carolina. A high percentage of counties in the Carolinas claim Passing Gear grants from Southern funders, owing to the presence of several North Carolina-based foundations with strong preferences for upstream investments and the mandate of the Duke Endowment to support innovation through health, child care, and faith-based institutions in both states. Florida's independent, family, and community foundations provide Passing Gear support in the metropolitan areas that contain most of the state's population.

In other states, investment by Southern and in-state foundations results in much spottier Passing Gear support. Despite significant in-state philanthropic assets, Georgia and Virginia have notable Passing Gear valleys and deserts compared to Florida and the Carolinas.

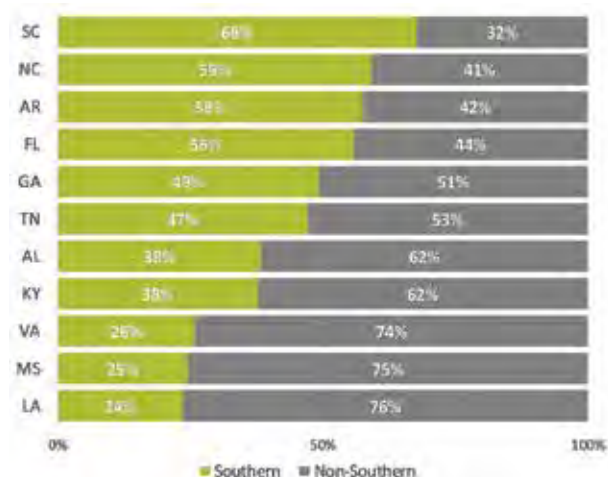
South Carolina, North Carolina, Arkansas, and Florida receive most of their Passing Gear investments from foundations within the region. Louisiana and Mississippi each received two thirds of their Passing Gear investments from outside the South, likely owing to investments following Hurricane Katrina coupled with a lower level of in-state philanthropic assets overall. As the second most populous state in the Southeast, Virginia's disproportionately large share of Passing Gear funding from outside the region reflects support for national organizations headquartered in the suburbs of Washington, D.C., and the relative lack of Passing Gear funders in the state. For example, 94 percent of Passing Gear grant dollars received by organizations based in Fairfax City, Va., were allocated as pass-through or regranting dollars—much of which went to the United Negro College Fund.

Support for Passing Gear strategies such as systems reform, advocacy, policy reform, and institutional capacity-building across the region relies heavily on funding from outside the region:

Regional Sourcing Of Passing Gear Investments

The proportional share of investments by Southern-based funders varies significantly by state

Source: Foundation Center, 2017; Analysis by MDC

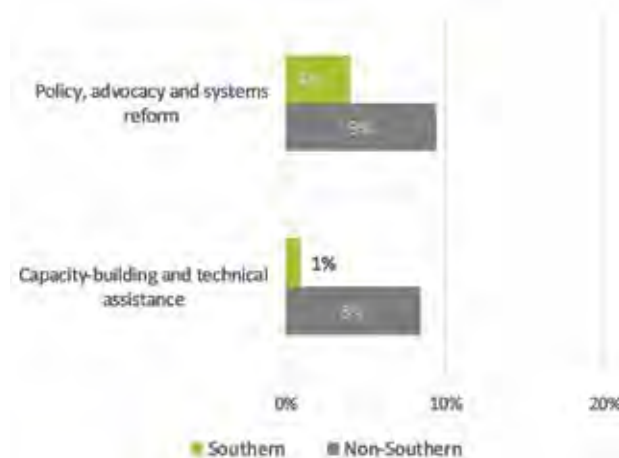


Specific support for advocacy across Passing Gear topics reveals even more sharply the dominant role that funders from outside the region play. Given that many of the topical issues explored earlier in this chapter reveal structural inequities and adaptive challenges that may be impervious to traditional grantmaking strategies, a strong case can be made for deeper support from Southern philanthropy for intentional “upstream” investments in advocacy, policy reform, and systems change to produce and sustain improved social outcomes.

And while persistent poverty counties claim more than 10 percent of the total poverty population in Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, and South Carolina,

Non-Southern Funders Appear To Be Leading Systems Change Funding support type, by region of funder

Source: Foundation Center, 2017; Analysis by MDC



direct Passing Gear investment in these counties by Southern funders and funders outside the South was disproportionately low, except in states hit hard by Hurricane Katrina. Whether due to a perceived lack of capacity to receive direct Passing Gear investment or a geographic mismatch between foundation priorities and the location of persistent poverty, these patterns of investment merit examination and response.

PATTERNS OF INVESTMENTS IN SPECIFIC FIELDS OF INTEREST

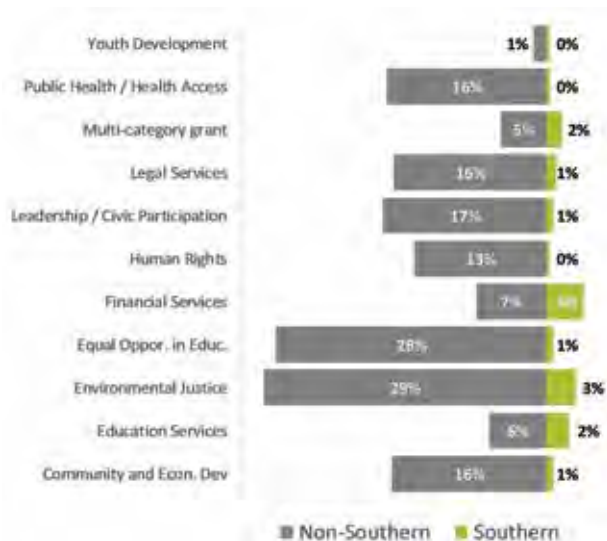
What do patterns of philanthropic investment look like across Passing Gear subject-matter areas by Southern foundations and foundations to the region? Three subject-matter areas consistently received about half of all Passing Gear funding in the South: community and economic development, public health and health access, and education services.

Patterns of investment across Passing Gear subject-matter areas by Southern Foundations and non-Southern foundations were remarkably consistent over the decade from 2004 to 2014, with the notable example being a spike in support for “education services” that reflects major investments in school reform in Memphis/Shelby County, Tenn.,

Advocacy support, by subject area

Share of philanthropic investments, by subject area, with explicit advocacy support, by grantmaker region

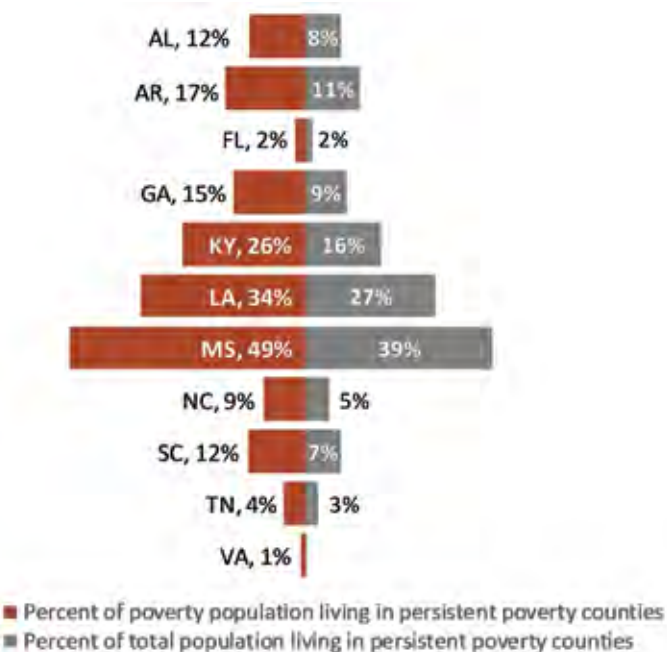
Source: Foundation Center, 2017; Analysis by MDC



Tackling Persistent Poverty in the South

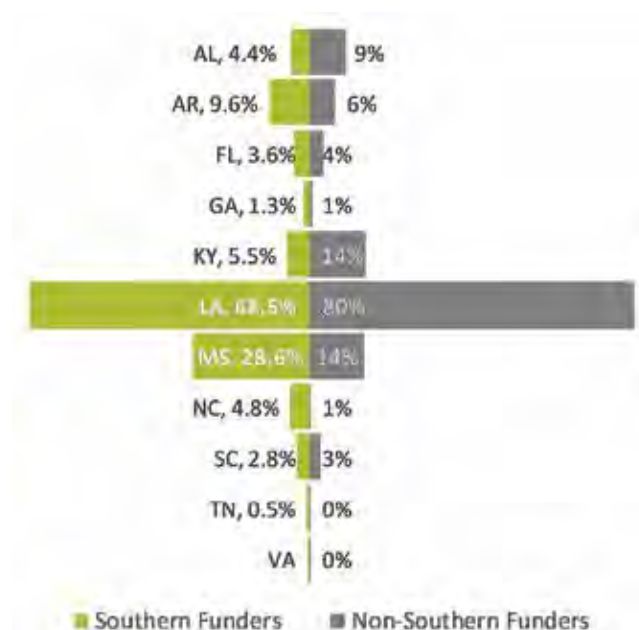
Share of total and poor population residing in Persistently Poor Counties

Source: Foundation Center, 2017. USDA, Economic Research Service: County Typology Codes, 2015 Edition: Persistent Poverty and Persistent Child Poverty Counties. Poverty data: American Community Survey: 2011-2015. Analysis by MDC



Tackling Persistent Poverty in the South: Percentage of grant funding (2004-2014) allocated to organizations based in a persistently poor county, by region of funder

Source: Foundation Center, 2017. USDA, Economic Research Service: County Typology Codes, 2015 Edition: Persistent Poverty and Persistent Child Poverty Counties. Population and Poverty data: American Community Survey: 2011-2015. Analysis by MDC



and Hillsborough County, Fla., from the Bill & Melinda Gates Foundation in 2009.

A look at the geographic distribution of investments across Passing Gear categories is revealing. Community and Economic Development (CED) investments are widespread across the region, especially in the Carolinas, where the CED infrastructure has been built deliberately over time with a combination of philanthropy and sustaining public-sector support, along the Gulf Coast (likely in response to Katrina) and in Alabama and the Mississippi Delta (see Chapter Three for a profile of the Mary Reynolds Babcock Foundation's work to build CED infrastructure). Investments in Public Health and Health Access are widespread by county in North Carolina and Florida, particularly, again owing to the presence of foundations with mandates to grant widely in these states.

Passing Gear support for Equal Opportunity in Education and Legal Services and Penology are much more heavily concentrated in metropolitan areas and state capitals, perhaps indicating where institutional capacity for addressing these issues is highest. How well these investments are actually touching philanthropic deserts is unclear.

Direct Passing Gear support for topics such as Leadership Development and Civic Participation, Equal Opportunity in Education, and Environmental Justice remained low, despite their potential importance in addressing enduring challenges across the region.

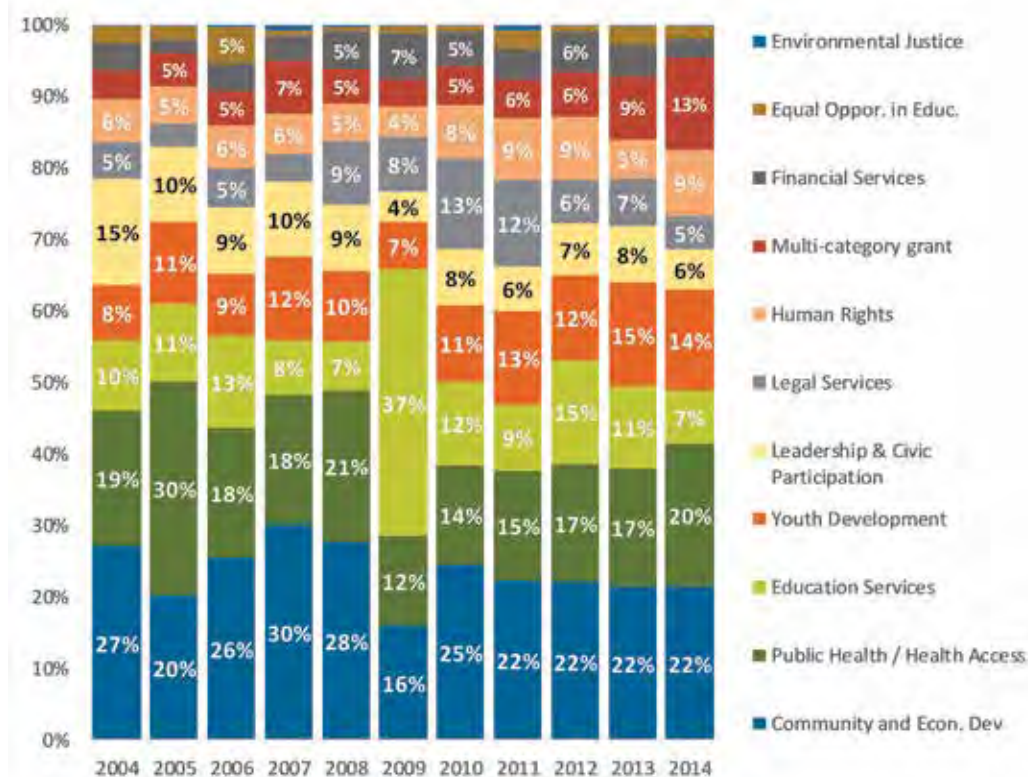
Given that structural inequities and adaptive challenges may be impervious to traditional grantmaking strategies, a strong case can be made for deeper support from Southern philanthropy for intentional 'upstream' investments in advocacy, policy reform, and systems change to produce and sustain improved social outcomes.

Overall, when the level and distribution of philanthropic funding is examined against data on significant Passing Gear challenges in the South, it is apparent that the need for "more philanthropy and different philanthropy" persists. When patterns of subject matter investment and patterns of support for advocacy, capacity building, and systems reform are examined together, it is fair to ask whether Southern philanthropy and

PASSING GEAR INVESTMENTS IN DETAIL

Distribution of grant dollars, by subject area

Source: Foundation Center, 2017; Analysis by MDC

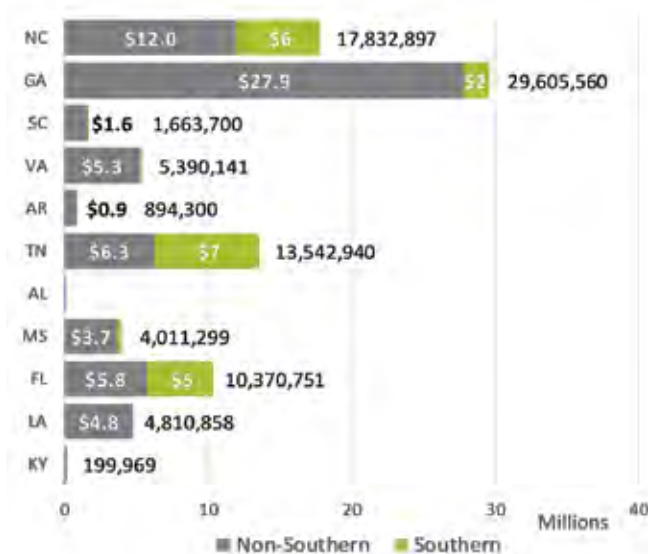


outside investors could refine and deepen their approaches to tackling the region's enduring barriers to shared well-being. What existing philanthropic investments in Passing Gear investment look like in action is the subject of the next chapter of the report.

Advancing Educational Equity

Grant funding—Equal Opportunity in Education, by state (2004–2014), by funder region

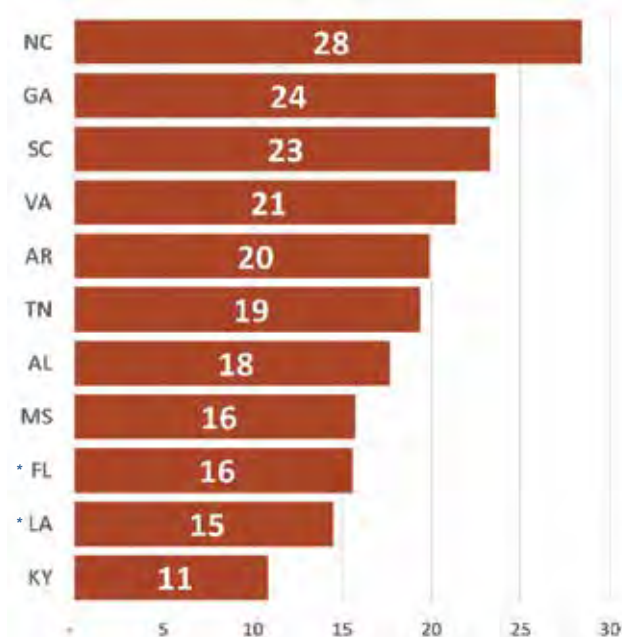
Source: Foundation Center, 2017; Analysis by MDC



State-Based Attainment Goals Must Address Wider Racial Gap

Largest educational attainment gap (percentage points) — White vs. Black or Hispanic/Latino

Source: American Community Survey, 2015.



* Largest educational attainment gap (percentage points), Associate's Degree or Higher—White vs. Black or Hispanic/Latino.



A guide to the methodology

The sheer volume of philanthropic data we now have at our fingertips demands that individuals and organizations with a vested stake in advancing equity in the South (or those that may aspire to) ask tough questions about not just the geographic patterns of investment in the region (by Southern-based philanthropy and non-Southern philanthropy), but also what tradition of philanthropy investments may represent (Philanthropy as Relief, Improvement, Social Reform, or Civic Engagement). We recognize that quantitative data alone will never fully reveal the complexity of the work undertaken by the organizations represented in this research; yet we believe that the grants we analyzed are reflective of investments that appear to have the characteristic of an upstream, or Passing Gear, investment.

Our research examined quantitative data from the Foundation Center on philanthropic giving in the 10-year period of 2004 to 2014. Using the Foundation Center's Philanthropic Classification System as a guide, we developed a robust set of criteria of grants based upon the following types of filters:

- **Grant subject**

- + Describes *WHAT* is being supported—the specific program or activity supported by the grant (e.g. youth development or education services)

- **Support strategy**

- + Describes *HOW* the goals of a program or grant are being implemented or supported (e.g. capacity building and technical assistance)

- **Transaction type**

- + Describes *HOW* an organization is providing or receiving support (e.g., matching grants)

We recognize that quantitative data alone will never fully reveal the complexity of the work undertaken by the organizations represented in this research; yet we believe that the grants we analyzed are reflective of investments that appear to have the characteristic of an upstream, or Passing Gear, investment.

In total, we culled 28,000 unique grants (representing funders located in and outside of the South) after applying a series of filters, including a minimum grant threshold amount of \$50,000 as well as a series of additional search filters (including Field of Interest, Support Strategy, Transaction Type, Recipient Type, and other keywords that sought to exclude grants to organizations that predominantly serve populations in other countries). Using the Foundation Center's Philanthropic Classification System (which represents the most comprehensive taxonomy of grantmaking available), we selected a set of grant subjects that constitutes a broad cross-section of the issues we have focused on in our 50 years of work in the region.

The taxonomy divides grantmaking subjects (describing *WHAT* is being supported) into a four-level hierarchy, with Subject Level-1 representing the highest schema. In total, there are 18 Level-1 subjects, 128 Level-2 subjects, 461 Level-3 subjects, and 243 Level-4 subjects in the taxonomy. Importantly, every grantmaker and recipient profile on the Foundation Center's online database requires at least one primary area of focus, and a specific grant can have at most 5 codes (though none are required) that describe a specific program or activity being supported. Almost all grants we examined have more than one subject-level code associated with the efforts of a specific grant; so, while our list may have focused on a set of discrete subject-level grantmaking, it does not preclude grants that have multiple stated subjects or foci. However, for simplicity, we present and refer to grants by the primary subject queried; when grant subjects overlap in our list (duplicates), we recategorized a grant as multi-category in the listing. Our focused list of grant subjects evaluated over the 10-year period include the following (detailed descriptions are offered on the pages that follow):

- **Community and economic development:** (Level 1)
- **Education Services:** (Level 2), within the **Education Category**
- **Equal Opportunity in Education:** (Level 2), within the **Education Category**
- **Leadership** (2) and **Civic Engagement** (3): (Level 2/3), within the **Public Affairs Category**

- **Environment Justice** (Level 2), within the **Environment Category**
- **Health Access and Public Health** (Level 2), within the **Health Category**
- **Human rights:** (Level 1)
- **Youth Development:** (Level 2), within the **Human Services Category**
- **Financial Services:** (Level 2), within the **Community and Economic Development category**
- **Legal Services and Penology:** (Level 2), within the **Public Safety Category**
- **Multi-category grants:** (Mixed subject levels)

For each subject-level search, a set of universal filters were applied to filter out grants based upon support strategy (excluding grants with a predominant focus on research, capital and infrastructure, individual development, product and service development), transaction type (excluding employee matching gifts, scholarships, grants and loans to individuals, stock transfers and certificates, in-kind gifts, program-related investments, and mission-related investments). Additional discretion was taking within specific subject areas to exclude programmatic efforts that didn't appear to have an observable passing gear (or upstream) focus. For example, within the Education subject area (an extremely broad funding category) we elected to focus on only two level-two categories (Equal Opportunity in Education, and Education Services). Further, we decided to exclude grants with a specific focus on education testing or software. In the Community and Economic Development subject-area, we excluded grants with a stated focus on employee pensions, or grants that appeared to focus heavily on policy, regulation, or technical assistance of for-profit businesses. Similarly, within the Human Rights subject-area we elected not to include grants focused on advancing or defending "right to life" or "right to die" policies.

For readers interested in exploring the Foundation Center's Philanthropic Classification System in greater detail, please visit: <http://taxonomy.foundationcenter.org/>



CHAPTER THREE

Since the publication of MDC's State of the South report "Philanthropy as the South's Passing Gear" in 2007, foundations across the South have embraced many elements of strategic philanthropy and focused their work "upstream," at the root causes of systemic inequities.

These are powerful examples of grantmaking that contain elements of what we call "Passing Gear" philanthropy—a clear reading of reality, using data and reflecting on it, employing multiple forms of capital, and applying evaluative thinking to address stubborn, structural challenges. These are habits of mind, not a formula, and can unfold in many, diverse ways. The elements of "Passing Gear" exist in all good grantmaking.

The profiles are based on information provided by the foundations, supplemented by additional research. The foundations were asked to answer the following questions to help inform the profiles:

1. Did you look at the historical context of the issues before you arrived at a grant-making strategy?
 2. Did you collect and analyze data? What gaps did you identify between your values and the current situation that inspired you to move in this direction?
 3. In engaging in imaginative inquiry, or a habit of mind, to read reality truthfully, how did you determine your course of action when confronted with a challenge that did not have an obvious solution?
 4. How did the foundation strategically deploy its non-financial forms of capital—social, moral, intellectual, and reputational?
 5. What processes have you used for assessing impact of your work?
 6. What have you learned about making your philanthropy more effective, and are you doing anything differently as a result?
 7. What was hard about this work? What was gratifying?
-



ALABAMA SCHOOL READINESS ALLIANCE: GRANTMAKERS AND ADVOCACY

A network of Alabama grantmakers took a methodical approach to an important strategic change—improving educational outcomes statewide—by gathering leaders at all levels (using social and moral capital) and drawing on a combination of expertise and community engagement to develop a strategy. They decided on a focus (pre-K), learned more about it (intellectual capital), and used data to rally leaders across the state, ultimately influencing state policy and significantly increasing state funding and the number of children in quality pre-K.

The Alabama School Readiness Alliance
Birmingham, Ala.

A partnership created by Alabama Giving, an association of over 30 grantmaking organizations

2005–Present
www.alabamagiving.org

In 2005, Alabama Giving, a state grantmaker network, sought input from nonprofit leaders to help identify the greatest needs that could benefit from a collaborative focus. School readiness emerged as a primary issue among advocates interested in improving the state, and high-quality pre-Kindergarten was selected as a proven strategy for improving kindergarten readiness, boosting student performance, and closing persistent academic achievement gaps.

Alabama had a small, high-quality, state-funded pre-K program, but it reached only two percent of the state's four-year-olds. This need, combined with a supportive political and policy climate, prompted Alabama Giving to form a collaboration to accomplish what philanthropy could not achieve alone: coordinated agency efforts, policy advocacy, and sustainable public investments in high-quality pre-K.

In 2006, Alabama Giving created a unique partnership of education and advocacy organizations and Alabama's philanthropic sector. Concurrent with the founding of the Alabama School Readiness Alliance was an opportunity for support from Pre-K Now, an organization funded by the Pew Charitable Trusts to promote state-level, pre-K advocacy efforts.

The early foundation funding supported coalition building, grassroots organizing, policy analysis and development, communications, opinion research, and an economic impact study. For 10 years, ASRA has successfully led Alabama's movement to expand high quality pre-K. By maximizing partner organization competencies and speaking with one unified voice, statewide support for pre-K has grown and the coalition includes strong business community representation.

HISTORY

Alabama Giving started in 2004 with two questions: What were the greatest needs facing the state that could benefit from a focus from Alabama foundations, and how much advocacy could they legally and effectively do? After presentations from organizations such as VOICES for Alabama Children, A+ Education Foundation, the Alabama Constitutional Reform Commission, and the Emergency Response Commission Health Crisis, early childhood and constitutional reform were selected as areas of primary interest. To arrive at a "North Star" vision for the future, philanthropic leaders Dr. Emmett Carson and Dr. Sherry Magill shared examples of advocacy that helped the organization understand its value and that of collaboration. The examination of history and context led Alabama Giving to establish the Alabama School Readiness Alliance.

After further meetings and explorations, the Alabama Giving board decided that constitutional reform efforts (which were unrelated to education) would occur mostly through foundation board education and involvement, and that early childhood issues should be fleshed out with leaders in the field. Further research and meetings with state and nonprofit organizations involved in early childhood work followed, including a meeting with State School Superintendent Joe Morton, who shared that quality early childhood programs were essential for K–12 performance.

School readiness emerged as a primary issue among advocates interested in improving the state, and high-quality pre-Kindergarten was selected as a proven strategy for improving kindergarten readiness, boosting student performance, and closing persistent academic achievement gaps.

In 2006, Alabama Giving was contacted by Pre-K Now, a national organization funded by the Pew Charitable Trusts to support state level advocacy efforts for pre-K. After joint meetings with child advocates, it was recommended that increased state funding for quality pre-K be the advocacy focus for the collaboration and that Alabama Giving establish an alliance with three other organizations: A+ Education Partnership, a highly successful education reform organization that was well respected by state Department of Education officials; the Alabama Partnership for Children, a nonprofit with a focus on the first five years of life; and VOICES for Alabama's Children, the state's child advocacy organization, which could provide expertise in convincing the legislature to provide funding for pre-K classrooms. Meetings followed with representatives of the governor's office and others and led to a meeting with Stephanie Rubin from Pre-K Now, who shared activities and progress in other states and discussed options to assist in advocacy efforts for pre-school expansion in Alabama. The partners then spoke with agencies, providers, and other working with Pre-K Now in four states, and researchers and consultants were contacted to determine cost and timelines.

The group decided VOICES for Alabama's Children would be the lead agency with a mission to "expand quality pre-K programs" using strategies including polling, an economic impact study, and marketing. They developed a governance agreement, preliminary budget, work plan and Pre-K Now grant application, and the Alabama School Readiness Alliance was created. Finally, partners in Alabama Giving became engaged themselves. They learned that having funders committed to the cause helped not only in raising funds, but gave credibility and provided access to community leaders and decision makers.

DATA

The growing body of brain research and evaluations of the effectiveness of pre-K programs built to a crescendo by the mid-2000s. Foundation leaders also were well aware of the state's historically low student achievement data and significant academic achievement gaps, and realized they needed to act boldly to move research into action.

While studies showed that 90 percent of brain development occurred by age five, and students who attended high-quality



pre-K programs had better outcomes in school and life, Alabama's young children experienced significant gaps in access to high-quality, early childhood education programs. Alabama Giving's leaders learned that the state had a state-funded pre-K program modeled on this research, but it only reached two percent of four-year-olds. They also learned from national experts at the Pre-K Now campaign that many other states had grown their pre-K programs and that Alabama ranked at the bottom in pre-K access. Armed with this data, they realized that the typical way Alabama foundations had always invested in school readiness programs was not enough—Alabama needed to inject significant state investments in its fledgling pre-K program in order to help build a system of high-quality, early childhood education and close kindergarten readiness gaps.

IMAGINATIVE INQUIRY

The state's need for high-quality early learning opportunities, combined with a supportive political and policy climate, prompted Alabama Giving to form a collaboration to accomplish what philanthropy could not achieve alone: bringing high-quality pre-K to scale statewide through policy advocacy and sustainable public investments.

The Alabama School Readiness Alliance's early work, supported by Pre-K Now and Alabama foundations, included coalition building, grassroots organizing, policy analysis and development, communications, opinion research, and an economic impact study. The ASRA staff and board met with other state early education leaders and funders and learned from their work and strategies. The Pre-K Now staff provided technical assistance and forums

for grantees to share challenges, experiences, and resources. The Alabama foundation partners recruited a prominent national business leader who was a strong early education advocate to speak to the state Business Council and community leadership organizations. This, combined with the use of state and national economic studies and voter polls on the value and benefits of pre-K, provided data and persuasive information for community leaders and elected officials.

ASRA grew its coalition to include leaders from the business community and other sectors in a "grass tops," goal-setting Pre-K Task Force. ASRA also ramped up policymaker engagement by hosting dozens of pre-K site visits for legislators across the state.

The ASRA Pre-K Task Force consists of more than 40 prominent leaders from the business, education, civic, medical, legal, philanthropic, military, and child advocacy communities. The task force commissioned a cost study to estimate the total cost of fully funding Alabama's First Class Pre-K program to reach all four-year-olds on a voluntary basis. This cost study was used to inform the Task Force's 10-year campaign to advocate for an infusion of \$125 million in state investments to be

added to the program incrementally between 2012 and 2022. The Task Force meets annually to update its recommendations prior to each state legislative session.

Armed with data, they realized that the typical way Alabama foundations had always invested in school readiness programs was not enough—Alabama needed to inject significant state investments in its fledgling pre-K program in order to help build a system of high-quality, early childhood education and close kindergarten readiness gaps.

USING FIVE FORMS OF CAPITAL

The partners in the Alabama School Readiness Alliance deployed an array of its capital.

Social Capital

Alabama Giving members connected with grantees and professionals working in the field, and colleagues working in early childhood and education reform worked with state Department

of Education and Department of Children's Affairs leadership. That grew to include leaders of the four organizations invited to participate in the collaborative. When ASRA was established, outreach was gradually broadened to include child service providers, other advocacy organizations, and parents.

Moral Capital

In addition to building on the missions of the partner foundations in Alabama Giving, ASRA brought business leaders and experts to Alabama to present the case. Dave Lawrence, editor and publisher of the Miami Herald, spoke to the Business Council of Alabama and leadership groups throughout the state with the message, "This is a business and economic issue—pay now or pay later, this is your future workforce." James Heckman a Chicago economist and Nobel Laureate, presented the economic benefits of investing in high quality pre-K.

Intellectual Capital

Alabama Giving members with early childhood, advocacy, and business experience were able to speak informatively about the need and how results could be obtained through the political process and with business leader support.

Reputational Capital

Alabama Giving's support carried weight among political leaders because grantmaking organizations were not often seen at the Alabama legislature and were not receiving financial benefit from increased funding for pre-K classrooms—unlike public school educators, child care providers, or even local child advocacy agencies. Legislators were more sympathetic to grantmakers because they required evidence that investments had merit, and support could be seen as unbiased and without a conflict of interest.

Financial Capital

From the Alliance's beginning, Alabama Giving led the effort to encourage financial support from members and the business community. Since 2006, there has been \$1.7 million in philanthropic investment, including foundations and corporate charitable contributions.

In addition to serving on ASRA's board and the Pre-K Task Force, Alabama foundations were asked to contribute to the collaboration in the following ways:

- Financially support the collaborative efforts as specific budgets were developed and needs identified, and consider making it a percentage of annual grantmaking
- Be involved directly in Pre-K Campaign
- Fund local (in the foundation's geographical area) school readiness programs and share information with Alabama Giving.
- Lead a specific Program Partners Group and facilitate the interaction between other funders of the program
- Make recommendations to other Alabama Giving members about specific program needs, i.e. statewide support, evaluation tools, etc.

- Provide information to their board about the importance and legality of supporting advocacy organizations
- Provide information to their board about important public policy issues
- Provide information to their board about the significance of early childhood learning
- Encourage their board to do something new in any of these areas

They have learned that collaboration on one issue results in other cooperative efforts; through working together the partners have strengthened their ties and now collaborate on other mutual concerns.

LEARNINGS AND IMPACT

As a result of the work done by the Alabama School Readiness Alliance, expanding access to high quality pre-K is now a statewide priority. Four consecutive governors and a majority of state legislators have endorsed expansion across party lines. State funding for the First Class Pre-K program has grown from \$4.3 million in 2005-2006 to \$77.5 million for 2017-2018, and the percentage of four-year-olds enrolled has grown from two to 28 percent. The state's Department of Early Childhood Education received a federal Preschool Development Grant to help with expansion.

In communities, school systems and businesses also have increased preschool investments. Alabama Giving was involved in many of the first meetings with the Department of Children's Affairs (now the Department of Early Childhood Education) when policy was drafted to ensure a system was developed that could be sustainable and diverse and would increase capacity among pre-K providers/grantees and Alabama's two- and four-year higher education institutions.

In addition to funding classrooms, Alabama's First Class Pre-K program created a statewide system for supporting the highest quality early childhood instruction. The Alabama Department of Early Childhood Education created a nationally recognized teacher coaching and professional development model to improve instruction in First Class Pre-K classrooms and is collaborating with the state Department of Education on a new Pre-K to Third Grade Leadership Academy and Pre-K to Third Grade Integrated Approach.

The expansion of First Class Pre-K also has meant an expanded and better compensated early childhood workforce. With the encouragement of ASRA, higher education institutions responded to the expansion of First Class Pre-K with their own innovations.



They have seen increased enrollment in early childhood and child development degree programs and have worked to align coursework with First Class Pre-K teacher competencies. They also have strengthened articulation agreements with child development programs in community colleges, which is where many early educators begin taking courses while working full-time in the field.

This work is leading to significant improvements in student outcomes. The Public Affairs Research Council of Alabama analyzed student achievement through the sixth grade and found that First Class Pre-K alumni consistently outperformed their peers in reading and math. PARCA also found that the typical achievement gap between low-income students and their higher-income peers was closed by 29 percent for students who participated in the program. A cost study by the National Institute for Early Education Research helped to inform the recommendations of ASRA's Pre-K Task Force, which outline a 10-year plan to fully fund First Class by 2022 so all Alabama families can enroll their four-year-olds.

MAKING PHILANTHROPY MORE EFFECTIVE

By advocating for increased state investments to pre-K, access for thousands of four-year-olds has increased with a sustainable funding source. Alabama Giving and individual foundation efforts to directly fund preschool programs could never come close to serving this number of students and families. Public investments and systemic change were needed at the statewide level to reach our goal.

The partnership prompted a more efficient use of resources

as the nonprofit organizations now conduct some joint operations, such as periodically holding joint programs and partnering to apply for grants with a shared application. They have learned that collaboration on one issue results in other cooperative efforts; through working together the partners have strengthened their ties and now collaborate on other mutual concerns. The visibility of the collaboration has helped individual partners develop working relationships with the Business Council of Alabama, PARCA, and community foundations in particular that prove beneficial in other efforts. Many other nonprofit organizations have joined in the advocacy effort and see the benefit of a unified voice on a policy issue.

WHAT WAS HARD ABOUT THIS WORK? WHAT WAS GRATIFYING?

Successful collaborations require a lot of time and energy for both process and communications, and institutions should be willing to share the success, the failures, and be open to compromise. Collaboration is especially important for larger community or statewide projects requiring systems change and diverse stakeholders because they take many voices

and more resources and time. To be successful in attracting outside and public dollars, a funder collaborative can provide credibility, local connections, as well as matching funds. The process of funders learning together helps build stronger networks and shared knowledge, allowing smaller funders and nonprofit partners to be engaged and part of a larger initiative or program. The potential for systemic change is much greater when both public and private partners are working collaboratively on an issue.

Similarly, this collaboration is proof that giving up some organizational independence can yield big results for shared goals, although not necessarily major recognition for individual organizations. In this unique alliance, each ASRA partner organization has consistently put the needs of their organization second to advancing the mission of expanding access to high-quality pre-K. While this might have required some short-term pain, the long-term impact and benefits have been worthwhile for the collaborative and for each partner organization.

Partners in the Alabama School Readiness Alliance are proud to be associated with what has become one of, if not the most, successful child advocacy efforts in Alabama over the past 50 years. Although this effort has involved many more groups and individuals than the philanthropic community, it has provided inspiration and encouragement. Collaboration among Alabama's grantmakers has increased since they began ASRA in 2006. There's also an acceptance among Alabama grantmakers that advocacy is a legal and dynamic choice for systemic change. In sharing the processes and lessons learned with other states and grantmakers, the partners in Alabama Giving continue to learn from them and nurture each other.



FORWARD ARKANSAS: TWO FOUNDATIONS TAKE THE LEAD ON EDUCATION REFORM

When high numbers of low-performing schools and school districts in Arkansas faced a state takeover, the state's two major foundations organized a broad, statewide partnership—including state government—to create a strategy to improve education outcomes.

They used a range of Passing Gear techniques to identify and address barriers and inequities: gathering data, engaging people across the state, learning more about the issues, making recommendations, deciding an initial focus, and getting state support.

ForwARd Arkansas
Little Rock, Ark.

*Winthrop Rockefeller Foundation and
Walton Family Foundation*

2014-present

Two major foundations with differing strategic approaches. A state on the verge of an educational crisis. And a common desire by both foundations to address a problem critical to families' wellbeing and the state's economy. That was the genesis of ForwARd Arkansas, a partnership with a single goal—"that every Arkansas student will graduate prepared for success in college and the workplace."

ForwARd is newly created with educational results still to be determined. But one result is clear—it has brought together, for the first time in Arkansas, funders, state government, policymakers, educators, business leaders, parents and students. With input from 8,500 other Arkansans, they created "A New Vision for Arkansas Education" with recommendations they believe will dramatically improve student achievement, close the achievement gap, and help Arkansas become a leading state in education.

ForwARd Arkansas was established in August 2014 as a partnership between the Winthrop Rockefeller Foundation (WRF), the Walton Family Foundation (WFF) and the Arkansas State Board of Education (SBE). It is the first-ever multi-year initiative between the two largest foundations in the state. The beginnings of ForwARd Arkansas are documented in the report, "How We Build A Statewide Movement in Public Education." This profile uses excerpts from that report.

HISTORY

Arkansas's leaders had made education a political and policy priority for decades. But statewide efforts produced inconsistent results. Many of Arkansas's schools were not preparing children for college or success in the workplace. The deep uncertainty about Arkansas's education system led SBE to initiate a process of state takeovers of schools and school districts determined to be in what the department called "Academic Distress." The disappointing outcomes at certain schools and districts, coupled with the upsetting loss of local school control, angered students, parents, and education activists. Some observers at the time referred to the state's reaction to failing schools and the poor outcomes that motivated their sweeping response as a crisis, and it was an important precipitating factor in ForwARd's creation and the motivation for all the efforts undertaken by WRF and WFF as part of ForwARd's work.

So, in July 2014, the two foundations presented the SBE with their proposal for a partnership led by WRF, WFF and the SBE to create a statewide initiative to set long-term goals for educational outcomes. At a public meeting, leaders of the two foundations outlined the process:

- Secure outside expert assistance on designing and managing the process
- Collect and present baseline data on the state of education in Arkansas
- Convene a steering committee of Arkansas parents, community leaders, educators, business leaders, and policymakers
- Conduct a stakeholder engagement process to collect and integrate Arkansas's priorities and values

- Develop recommendations to move Arkansas's public education system toward educational excellence based on research and ongoing stakeholder input
- Begin implementing recommendations

They presented five key objectives:

- A statewide vision and recommendations for public education that will close the achievement gap
- Recommendations developed after interviews, focus groups, and surveys with thousands of Arkansans
- Making Arkansas a model for academic excellence by catalyzing excellent practices, actions, and policies through coordinated and data-driven community- and state-level decision making
- Creation of a Steering Committee composed of parents, teachers, business leaders, and policymakers
- WRF, WFF and the SBE dedicated to providing the best knowledge, skills, and resources toward development, building support, and long-term implementation

Two years before ForwARd was created, [the foundations] began talking, learning about each other's perspectives, hypothesizing about possibilities, and building trust.

The state Board of Education voted to approve the partnership. It was realized that outside help was needed to successfully manage the process, and WRF and WFF partnered with Boston Consulting Group (BCG), a research and strategic planning firm, to provide technical and managerial support. In addition, ForwARd's foundation partners engaged a local facilitator who knew the state's education landscape.

WRF and WFF have a common vision to improve education outcomes in Arkansas. Nonetheless, they each have different funding priorities, strategies, funding footprints, and different sizes—WFF gives about 20 times more each year in Arkansas than WRF. Both fund P-16 education, and WRF largely invested in traditional public education as a core value. WFF invests similarly with added emphasis on the concept of school choice as an avenue to expand educational opportunities.

Collaboration between the two foundations started in 2011, when they began working together with the Arkansas Department of Education (ADE) on a statewide implementation plan for the Common Core Standards. This cooperation involved investments in strategic communications, parent and community outreach, and professional development. Both foundations had funded alternative teacher preparation programs like Teach for America and the Arkansas Teacher Corps with the intent of building the

teacher pipeline. They also provided matching funds for a statewide initiative to engage more students from low-income families and students of color in Advanced Placement programs.

Two years before ForwARd was created, WRF President & CEO Sherece Y. West-Scantlebury and WFF Senior Program Officer Kathy Smith began talking, learning about each other's perspectives, hypothesizing about possibilities, and building trust. As the situation in Arkansas's schools worsened, and the Academically Distressed Schools takeover process accelerated, they realized their foundations could act as a catalyst for transformational change in Arkansas's education system. They realized that "as funders, we were probably the best and most likely entities to get everyone around a common table to create a long-term vision and roadmap for achieving that vision," West-Scantlebury said. "It was an opportunity to play a leadership role that no one else could play."

As a result of their collaboration, Arkansas has a diverse network of partners—including community leaders, nonprofits, the state Chamber of Commerce, and business leaders—who are more interested in working together and supporting one another on educational reform than before. There is a deeper understanding between WRF and WFF about how to reinforce each other's investments in shared goals. The vision and recommendations that ForwARd produced have no particular ideological stamp on them, increasing their likelihood of broader statewide buy-in and implementation. State and community leaders are reaching across political and ideological divisions with the focus on preparing Arkansans for college and the workplace.

Participants in ForwARd Arkansas learned that while a single organization or foundation can make a difference for a few students or schools, improvement at a large scale requires collaboration across all of the key stakeholders that collectively can achieve a far greater impact. The two foundations were catalytic and this may not have happened without them.

DATA

ForwARd established baseline data about education in Arkansas. The research, presented in the January 2015 report "The State of Education in Arkansas," drew attention to data on access to education, standards, outcomes, and the achievement gap. The facts made clear that education policy, poverty, and regional differences result in Arkansas's students having inequitable school experiences and education outcomes.

While college-going rates in the state were above the national average, college remediation rates throughout Arkansas were also among the highest. In 2012, 74 percent of students entering two-year colleges were required to take developmental courses,



As the situation in Arkansas's schools worsened, and the Academically Distressed Schools takeover process accelerated, the foundations realized their foundations could act as a catalyst for transformational change in Arkansas's education system

and 33 percent of students entering four-year institutions weren't prepared. Six-year college graduation rates were among the lowest in the U.S., which meant students left college without a degree in substantial debt and with limited career opportunities. Meanwhile, the data also showed that in 2013, 70 percent of Arkansas's jobs required a high school degree or less, and the majority of these jobs did not provide a family-supporting wage.

USING FIVE FORMS OF CAPITAL

The collaboration of the state's two largest foundations created the opportunity to amplify the social, moral, intellectual, and reputational capital of each, core values of Passing the Gear.

Social Capital: They quickly used their social capital to organize the ForwARd Steering Committee and an Implementation Working Group (see below). Their social capital was used to organize and continue to engage the stakeholders.

Moral Capital: WRF and WFF share a common vision that every student in Arkansas deserves the best education. Working with data and a vision from the 2015 "State of Education in Arkansas" report, they used their resources and stakeholder colleagues to

create a strategy to address the education crisis. The alternative, letting the crisis worsen, was not an option.

Intellectual Capital: WRF and WFF have years of knowledge on how to fund and manage collaborations and systems change initiatives. They were confident they could create an inclusive, data-driven, and innovative process that would yield a comprehensive strategy. WRF, WFF and SBE used their collective knowledge to make the smart decision to hire BCG to provide technical and managerial support to the planning process and a local facilitator to staff the Advisory Committee and manage BCG.

Reputational Capital: WRF and WFF are the most respected foundations in the state and among the most respected in the region. They have a track record of collaborating on significant philanthropic investment in Arkansas and are known for grantmaking that has made a difference in the state. Their reputational capital gave them the audience with SBE to boldly propose they create a strategy for the state to deal with the education crisis. It also gave the governor, SBE, and ADE the confidence to know WRF and WFF would create the best possible strategy, and one that would include the voices of Arkansans.

The partners also used their social capital to put together a Steering Committee composed of a diverse set of leaders, in both geography and background, who brought their own networks and capital to ForwARd Arkansas. Each member had knowledge of the Arkansas education system, both locally and at the state level. They also had experience with large-scale systems change and strategic planning in an educational setting. The committee members were drawn intentionally from all of the initiative's key stakeholder groups: parents, community leaders, educators, business leaders, and policymakers. They represented Arkansas's diversity of age, race, gender, and background. And they were from every region of the state, with a third hailing from rural Arkansas. More than half of the members were either classroom educators or educational administrators.

The breadth of the membership did not come easily for some—any policy initiative puts political and reputational capital at risk. In some cases, participants with high-profile positions in and around Little Rock were staking their reputations on their association with other participants. Many involved felt that being there with people who represented “the other side” generated fallout among their own peers and supporters. As a result, several Steering Committee members reported that they spent hours talking with friends and colleagues to combat what one called the “narrative of suspicion” that arose among some who were not participating in the process.

The Steering Committee conducted 48 focus groups across the state, with 550 participants, working with the Rural Community Alliance (a nonprofit with about 60 chapters representing small towns and rural areas) to provide training, materials, and instruction to group leaders about how to record what they heard. And ForwARd hosted two online surveys. One was open to anyone in Arkansas, to understand the aspirations and concerns that Arkansans held with regard to public education. A second was sent directly to educators through superintendents and principals in each school district. The outreach resulted in 8,000 completed surveys. All of that data was further vetted with over 100 hours of expert interviews.

IMPLEMENTATION

After 10 months, the Working Group produced a comprehensive vision for Arkansas's education system called “ForwARd: A New Vision for Arkansas Education.” The vision outlines seven areas of focus and 95 recommendations they believed were bold, ambitious, and attainable.

The seven areas of focus and recommendations included:

Pre-K

- Starting with lowest-income areas, improve quality of programs to meet new, high standards
- Increase access in areas of shortage

Teaching and Learning

- Embed more high-quality teacher collaboration
- Establish workforce education pathways that provide college credit
- Improve testing

Teacher Pipeline

- Build homegrown teaching talent
- Expand pathways for nontraditional educators
- Attract top talent to high-need schools and subjects by improving incentives

Support Beyond the Classroom

- Increase access to nutrition by implementing healthy breakfast as part of the school day
- Provide high-risk families support in navigating access to quality health care

Leadership

- Empower principals
- Implementation of a rigorous administrator evaluation system
- Expand preparation programs and mentorship
- Focus school board training on good governance, align board elections with general election

Academic Distress

- Create a transparent process that identifies schools approaching distress
- Empower one unit at the Dept. of Education to manage the process
- Measure progress holistically (not just test scores) and share with the community



The creation of ForwARd and ongoing support is an example of what foundations do best.

Foundation resources provide research and funding for innovation that could not be supported with limited public resources.

Systems and Policies

- Streamline the regulatory burden to enable a focus on instruction, encourage innovation, and support a mindset shift from compliance to excellence
- Improve district capabilities to make decisions based on educational impact
- Increase funding to support excellence, tying incremental increases to evidence of effective resource use

In October 2015, the State Board of Education voted to approve ForwARd's vision and recommendations. The ForwARd Steering Committee disbanded and the ForwARd Implementation Working Group (IWG) was formed. Some members from the Steering Committee joined the IWG and additional members were recruited from throughout the state. The IWG hired an executive director, who has created an independent 501(c)(3), formalized partnerships, worked with ADE to streamline rules and regulations to better align with ForwARd's goals, and worked with the policy subcommittee to identify shared policy goals to pursue with other organizations during the state's 2017 legislative session.

The creation of ForwARd and ongoing support is an example of what foundations do best. In a recent BOE meeting, the state's education commissioner noted that the partnership is enabling ADE to do things that would not have been possible otherwise. Foundation resources provide research and funding for innovation that could not be supported with limited public resources. The work of ForwARd has also expanded the capacity of ADE to explore new solutions and connect to additional community, business and nonprofit partners.

ForwARd has transitioned from a series of recommendations to actions. For example, the most pressing issue in the legislative session that ended in April 2017 was pre-K and the need for

additional funding. State support for pre-K had essentially been static—with only a small, one-time increase in funding—over the last nine years. Based on strategic interventions by ForwARd and other advocacy partners, Governor Asa Hutchinson committed \$3 million to improve the quality of existing Pre-K seats—a big step forward in a year where many other programs were flat funded or cut.

After a year of full operation, ForwARd is recognized for making progress towards the goals of its vision in significant ways. ForwARd is credited with:

- raising awareness of the need for increased funding for quality pre-K and securing \$3 million in additional funding
- securing set-asides for districts willing to use the additional funding for pre-K, after-school and summer programs, and tutoring.
- making the point with the state legislature that the state must fully fund school districts to the level of support that prevents them from becoming academically distressed because of inadequate funding
- supporting ADE's transformation from a department of pure compliance to one that is service oriented and parent/student friendly
- working with ADE to add 36 school districts to the USDA community eligibility program; as a result, over 70,000 students now are receiving healthy meals every day, free of charge
- working in five communities in the state where each is developing and implementing its community-based ForwARd initiative.



THE RAPIDES FOUNDATION: TAKING A TIME-OUT TO BECOME STRATEGIC ON HEALTH

A hospital-conversion foundation in Central Louisiana started out doing general grantmaking and then realized that without strategic, upstream focus, it would never have significant impact on people's lives. It took a grantmaking hiatus, studied the history and underlying causes of poor health in the region, listened to health experts, gathered data, and created a Strategic Grantmaking Framework that identified key areas where it could create better health outcomes—from education to tobacco usage—and used

intellectual capital to identify and spread understanding of the issues, and social and moral capital to engage the community and implement its strategies. As a result, health indicators are gradually improving, and education indicators are showing marked improvement.

The Rapides Foundation
Alexandria, La.

Strategic Grantmaking Framework

1997–Present

The Rapides Foundation in Alexandria, La., was created with the sale of Rapides Regional Medical Center in 1994 for \$140 million, creating what was then the largest endowed charitable foundation in Louisiana. It has a current value of \$280 million and continues to have an ownership stake in the healthcare system that evolved.

The Foundation started out doing responsive grantmaking, but a lack of strategic direction resulted in frustration and disappointment on the part of grant-seekers, the medical community, Foundation trustees, and the broader community.

A large number of residents in the region experience poor health exacerbated by high levels of poverty, low levels of educational attainment, limited earning opportunities, and an environment that does not support healthy eating and active living. Understanding this environment, Foundation trustees discontinued grantmaking in 1997 to develop a framework that would bring intentionality and urgency to addressing mostly generational issues and making measurable and sustainable improvements in the health of the region.

The trustees engaged Leonard Dawson, MPH, an experienced community health educator and retired professor of public health at UNC-Chapel Hill, and developed a Strategic Grantmaking Framework that focuses on understanding the community through a comprehensive community assessment and continuing engagement, identification of significant health drivers, engaging with the community for shared interventions, and evaluation of efforts in a continuous cycle focused on moving the needle on key population health indicators. The framework is predicated on identifying measures of health status such as life expectancy and productive years of life lost. Development of the framework has resulted in a health legacy foundation with 60 percent of its funding devoted to the social determinants of health (e.g. educational attainment, median family income, and civic engagement).

The framework provides a data-informed, best-practice driven, and intentional approach to improving the drivers of health, and ultimately, health status. It allows for a full array of grantmaking processes—grants, technical assistance, convening, facilitating, and advocacy—with an emphasis on achieving mission-focused goals and outcomes. Trustees and staff seek to ensure that Foundation resources make measurable and sustainable improvements in health status and the determinants of health.

Guided by the framework, the Foundation's assessment and engagement efforts reflect the region's significant health disparities and gaps in educational attainment and achievement, and its interventions recognize that affected populations must be prioritized and supported. Process is important and positive outcomes are essential. Implementation and ongoing review of the framework continually call for alignment of investments and strategic efforts to the foundation's mission to improve the health status of Central Louisiana.

HISTORY

The Rapides Foundation considered the historical context of the issues affecting its mission and the evolution of the regional healthcare system, which was significantly shaped by the long-

The framework provides a data-informed, best-practice driven, and intentional approach to improving the drivers of health, and ultimately, health status.

standing, state-operated Charity Hospital system. Trustees and staff knew that low educational attainment, low incomes and resultant poverty were long-standing and extremely prevalent.

Historical context also was taken into account through the creation of a diverse board of community leaders who experienced recent history from different perspectives. The board has composition guidelines, a two-term limit, and over time has had a wide range of geographic, racial, gender, ethnic, generational, and experiential diversity in the 80 board members who have served. The board included doctors, nurses, educators, business leaders, and accomplished retirees. Facilitated board retreats ensure that everyone has input and influence.

DATA

The Rapides Foundation began grantmaking across broad categories out of its own sense of things. Trustees and staff soon realized their approach was creating expectations beyond the Foundation's capacity, and that all the good things being funded wouldn't drive measurable, sustainable change in health for the region.

Foundation trustees identified the development of a more proactive grantmaking approach as a priority issue emerging from the Foundation's first board retreat and began the process of networking and learning about health philanthropy. As part of that learning, Foundation leadership was introduced to "The Actual

Trustees and staff soon realized a broad approach was creating expectations beyond the Foundation's capacity, and that all the good things being funded wouldn't drive measurable, sustainable change in health for the region.

Causes of Death in the United States" by Dr. William H. Foege and Dr. J. Michael McGinnis, and there was a realization that the Foundation could improve the health status of Central Louisiana only by focusing on the root causes of mortality and disability.

Foundation leadership deepened their understanding to include the role social determinants of health play in health outcomes. The Foundation board commissioned a community



assessment to provide a comprehensive baseline of health status, while beginning the development of a Strategic Grantmaking Framework, including the Foundation's mission, vision, philanthropic objectives, guiding principles, and grant guidelines. It engaged the Tulane School of Public Health to conduct a community assessment of its service area. The study included secondary data, scientifically based community surveys using CDC protocols, and focus group data. It included not only mortality/morbidity data, but health behavior and social determinant information and extensive community assessments with trended longitudinal data (quantitative and qualitative).

The data was analyzed by parish (county), race, income, and education levels. The assessment drew a picture of the region, and the results were mostly an affirmation and definition of what was already apparent—the prevalence and severity of most aspects and indicators of health existed in the minority and poor population. But there were surprises—one board member who focused on economic development was stunned by the high infant mortality rate, and even doctors said they were surprised by the high rate of adolescent smoking.

IMAGINATIVE INQUIRY

The respective components of the community assessment were reviewed by a group of subject matter experts—not just researchers—who worked in the field and included a pediatrician, an adolescent youth expert, a geriatric doctor, educators, an economist, an economic development proponent, and others generally knowledgeable about the area. They provided their analysis of priorities for interventions to the Foundation's trustees and staff.

The Strategic Grantmaking Framework provided a process and structure for implementation of grantmaking priorities. After looking at data, the best knowledge available, and the community perspective, priorities were set. It became apparent that to move the needle on regional health indicators, investment had to be made among the poor and undereducated residents in the Foundation's service area. Development of the framework resulted in a health legacy foundation with 60 percent of its funding devoted to the social determinants of health (e.g. educational attainment, median family income and civic engagement).

The framework not only provided for issue identification and prioritization, but for the use of a variety of approaches to pursue chosen priorities. Funding, convening and facilitating, research, and advocacy were all provided for in the framework, but always were focused on mission outcomes over process.

USING FIVE FORMS OF CAPITAL

The Foundation's Strategic Grantmaking Framework includes many forms of support to achieve objectives: grants, co-funding, technical assistance, convening, facilitating, advocacy, and public-private partnerships and, over time, has employed all five dimensions of philanthropic capital. It is primarily focused on the use and development of intellectual capital, providing for research, learning opportunities, and leadership development of grantees and the community. The Community Development Works Program, for instance, provides ongoing training and support for nonprofits and individuals. The newest effort is *My Civic Life*, a school-based leadership opportunity primarily for less-involved students.

All of the Foundation's trustees and staff live within its service

area and are part of their communities, with long-standing community knowledge and perspective. The Foundation, corporately and through its trustees and staff, maintains wide-ranging relationships across the region and state. It shares its findings and analyses through these relationships, and informs the public with data and research that often contradicts the public perception, particularly in raising awareness of the education achievement gap.

The Foundation also works in partnership with nine public school districts for improved student achievement and has supported and fueled reform efforts in the public school districts in its service area since 1997. Through its Education Initiative, The Foundation aims to increase educational attainment and achievement levels as the primary path to improved economic, social and health status. The initiative focuses on creating more effective schools by enhancing professional development for teachers and increasing leadership capacity for administrators; advancing successful school readiness approaches; and encouraging career and postsecondary success through improved counseling and advanced credit programs. The initiative is reaching 95 percent of students in the region. It also has funded community planning and implementation efforts around its strategic initiatives.

The Foundation has used financial capital to affect public policy and uses advocacy to help partners achieve desired policy decisions. For example, when presented with data on smoking in the region, and being informed by researchers that the most effective way to reduce smoking was to increase the price of cigarettes, the foundation provided \$500,000 to support the American Heart Association's successful effort to raise the cigarette tax in Louisiana.

The Foundation has used financial capital to affect public policy and uses advocacy to help partners achieve desired policy decisions.

IMPACT

The Foundation quantifies the current and desired results along with milestones of improvement that are expected to lead to intended impacts. Periodic community assessments capture many of these measures. The Foundation also commissions external, third-party evaluations of major initiatives to test logic models against the actual experience and provide formative and summative data.

As a result of its work so far:

Healthcare Access

- The cost of prescriptions as a barrier decreased from 23% in 2002 to 17% in 2013

- 37% of adults encountered one or more barriers to accessing care in 2013 compared to 42% in 2002.
- The percentage of the community that has used a hospital emergency room more than once declined to 12.2% in 2013 compared to 13.8% in 2002.

Cancer Screenings

- 69% of adults 50+ reported having a lower endoscopy in 2013 compared to 45% in 2002.

Healthy Behaviors

- Adults reporting consuming five or more servings of fruits and vegetables per day increased from 23.6% in 2002 to 34.9% in 2013
- Adult current smokers fell to 22.5 percent in 2013 compared to 23.5% in 2002
- The percentage of high school students who ever tried smoking cigarettes decreased from 59% in 2007 to 44% in 2015. The percentage of high school students who reported smoking their first whole cigarette prior to age 13 decreased from 19% in 2007 to 14% in 2015. However the percentage of high school students reporting they have smoked cigarettes within the last 30 days has not significantly changed since 2007 (25% to 22%)

Education

- Percentage of high school students graduating increased from 68% in 2006 to 81% in 2016.
- Percentage of 4th grade students considered proficient in English Language Arts increased from 61% in 1999 to 75% in 2013.
- Percentage of students in grades 3-8 at a mastery or above level of achievement on state accountability test increased from 24% in 2014 to 33% in 2017.

WHAT WAS HARD ABOUT THIS WORK? WHAT WAS GRATIFYING?

"We wake up every day intent on improving health status. We have a population in Central Louisiana that, for the most part, has challenges in accessing health care, is under-educated and under-employed, and have been like that for generations. We work in these areas because we value life, and want everyone to live longer with less disease. We would never say that everyone has to address the issues the way we do, but we've come to this through an iterative process, a series of refinements we're making all the time." —Joseph R. Rosier Jr., President and Chief Executive Officer, The Rapides Foundation

The College Hub of Spartanburg County

Spartanburg County faces a very serious challenge to its economic and social development: low levels of educational attainment. Currently, only 19 percent of adults (age 25 and above) living in Spartanburg County have earned a bachelor's degree. This number falls far below the national average of 27 percent and the state average of 23 percent.

Low degree attainment rates are holding down our citizen's earning power, limiting their economic class mobility, and most importantly, threatening the county's economic development potential.

The College Hub of Spartanburg County will assist our community in increasing its degree attainment by providing educational resources and information. The College Hub will give leverage toward meeting the goal of The 40/30 Challenge: "By the year 2030, forty percent of our citizens will hold a baccalaureate or associate degree."

Meeting this challenge will require a generation to turn around, but we must start now! Its success will be dependent upon the collaboration of schools, colleges, businesses, churches, agencies, and families across our community.

Will you commit to meeting the Challenge?



Vision— Spartanburg County is the most educated county in the Carolinas.
Goal— By the year 2030, 40 percent of the residents in Spartanburg County ages 25 and over will have a baccalaureate or associate degree.

Strategy 1: To make college accessible for all of our citizens

Strategy 2: To ensure that all of our students who graduate from high school are prepared for post secondary and/or baccalaureate attainment

Strategy 3: To increase the number of adults (25 and over) who are attending and completing college



THE SPARTANBURG COUNTY FOUNDATION: SPARTANBURG ACADEMIC MOVEMENT

An initiative to double the number of college graduates in Spartanburg County, S.C., that started with data—an annual report on local indicators showing the county's relatively poor standing—and led to a look at the region's history, culture change in the name of economic development, and collaboration between local and national organizations to create a county-wide, pre-K through college completion movement that's showing significant results.

Spartanburg Academic Movement
Spartanburg, S.C.

The Spartanburg County Foundation

2008–Present
www.learnwithsam.org

In 1989, The Spartanburg County Foundation launched an initiative called Critical Indicators and began publishing data to raise the awareness of pressing community needs. Known today as the Spartanburg Community Indicators Project, the data drives improvement within the community. In 2008, the Spartanburg Area Chamber of Commerce formed a task force to examine the impact of low educational attainment rates on the county's economic development. They came to a bleak realization—only 19 percent of adults, aged 25 and older, had earned a bachelor's degree, well below national and state averages. The task force proposed adoption of The 40/30 Challenge, which set a goal that 40 percent of county residents ages 25 and above would hold a bachelor's degree by the year 2030.

The Chamber commissioned The Spartanburg County Foundation to provide leadership in determining the feasibility of the Challenge and creation of a strategic plan. The foundation spent two years convening more than 200 community leaders and education experts, researching best practices, and identifying opportunities for collaboration. The Foundation incubated this idea and used the passing gear framework to take an upstream approach to addressing educational attainment. Each target goal was mapped within the context of the passing gear model, and all partnerships were aligned and created within that context.

That evolved into 10 years of convenings and strategic planning, and after an initial investment of approximately \$200,000 in staff, funding, and community meetings, the strategic plan was completed. The primary focus included the establishment of the College Hub in 2010, envisioning that it would be a centralized resource within the county to advocate for educational attainment, actively support college-bound and college students, and promote return-to-learn initiatives.

The Foundation incubated the initiative, focusing on the implementation of strong governance, financial infrastructure, and sustainability. The Foundation recruited an inaugural board, developed organizational by-laws, and continued its incubation of the initiative until December 2010, when the structure of the College Hub was set in place. The incubation of the College Hub also included a significant seed grant of \$500,000 that was awarded as a challenge grant to show support and further promote sustainability. The College Hub exceeded the match, providing more evidence of community support.

In 2012, two developments motivated a turn-around effort of The College Hub. First was the College Hub's merger with another nonprofit, the Children's Services Alliance. The Alliance, also launched in 2008, served as a network engaging pre-K providers and agencies, and developed the "Toolkit for Kindergarten Readiness." The combined boards recognized that each had been working at extreme ends of the same education continuum. They also recognized that advancing academic achievement across the entire spectrum was required if The 40/30 Challenge was to be realized.

A second development was the discovery of the StriveTogether Network, a collective-impact model for community-wide change that was developed and launched across the school districts of Cincinnati and Northern Kentucky. As the merger of College Hub and Children's Services Alliance was taking place, the leadership

There are six core indicators of achievement that SAM is pursuing—kindergarten readiness, third grade reading, eighth grade math, college/career-ready high school graduation, postsecondary enrollment, and postsecondary persistence and completion.

learned about the StriveTogether Network and its cradle-to-career approach at a national conference of the Council on Foundations. After further review, the College Hub initiated the connection and became a network partner.

With this discovery, everything changed for the College Hub: the challenge, the model, the goals, the strategies, the metrics, the objectives, the funding, the staffing, and even the name. In 2014, the College Hub became the Spartanburg Academic Movement and expanded its mission, which is to measure academic accomplishment, cradle to career; set achievement targets that escalate annually; align networks in pursuit of these targets; and report progress with persistent regularity.

By October 2014, SAM received certification as an "Emerging Network Member" through StriveTogether. One year later, it achieved "Sustaining" certification. By 2017, it was one of 12 out of 75 partnerships nationwide (most in major cities) with "Systems Change" certification and receiving StriveTogether accelerator funding designed to enable its movement to "Proof Point" certification by 2018.

There are six core indicators of achievement that SAM is pursuing—kindergarten readiness, third grade reading, eighth grade math, college/career-ready high school graduation, postsecondary enrollment, and postsecondary persistence and completion. The SAM Data Team has established three-year rolling targets for most of these stages, leading toward achievement of The 40/30 Challenge, the ultimate target metric of SAM. Collaborative action networks for each of the core indicators operate at each of these learning stages, and SAM is working with its more than 150 partners across sectors to address educational attainment in Spartanburg County.

HISTORY

The Spartanburg County Foundation staff created a historical timeline that outlined both community and foundation-related events from 1800 to present. Spartanburg County is known for being a mill community, home at one time to almost 40 textile mills. While the community values its rich heritage, there are challenges it faces as a result. The community realized that improving educational attainment levels was really about changing its culture and mindset. At this same time, the College



Degree Attainment Task Force had just completed its research to better understand educational attainment and developed a list of recommendations for how the community might begin addressing the issue.

One such recommendation was to adopt The 40/30 Challenge. In August 2008, the Foundation approved in concept a motion that the Foundation would serve as a catalyzing force in the implementation of The 40/30 Challenge, with a goal of forming a separate 501(c)(3) organization that would take the lead in implementing the recommendations of the College Degree Attainment Task Force. The Foundation would take what it had just compiled regarding the importance of community history, align that with the issue of educational attainment, determine benchmarks around its leadership roles, and establish an exit strategy for its participation in near-term, mid-term, and long-term goals to encourage rural and urban strategies to change the culture of education in Spartanburg County.

DATA

Data plays the key role in the work of SAM. It was data from the Indicators Project that urged community leaders to begin the initial focus on educational attainment in 2008. At the time, only 19.8 percent of Spartanburg County residents held a bachelor's degree, far below the national average of 27 percent, neighboring counties that averaged 35 percent, and the 40 percent-plus averages of communities across the country with significant economic growth. Educational attainment was holding down citizens' earning power, limiting their economic class mobility, and threatening the county's economic

Educational attainment was holding down citizens' earning power, limiting their economic class mobility, and threatening the county's economic development potential.

development potential. Data drove the five-year process in the development of the College Hub and continues to drive processes for SAM.

SAM has negotiated data-sharing agreements with each of the county's seven school districts, providing access to anonymous, student-level academic performance data from pre-K enrollment through high school graduation. These agreements enable SAM to assess progress across its four K-12 stages of learning in real time. In addition, SAM supports two overarching assessment protocols—the Early Development Instrument (EDI), which provides the community with data geo-mapped by census tracts on birth-to-five vulnerabilities likely to affect children's ability to learn when they

enter K-12; and the Student Data Tracker (SDT), available through the National Student Clearinghouse, which enables tracking of all county graduates' enrollment in U.S. postsecondary institutions receiving federal funds for eight years following high school graduation. The EDI enables not only a look upstream at vulnerabilities before entering kindergarten, but provides early warning signs of challenges that may affect progress through third grade reading and beyond. The SDT enables not only a means of tracking students' persistence and completion of postsecondary certifications, but provides data upon which schools can assess the viability of high school instruction in predisposing post-secondary success.

These data were replete with "surprises":

- Hispanic students were graduating at higher rates than any other sub-groups even though they began with substantial language vulnerabilities.
- High-poverty children experienced a radical "summer slide" in language arts in the summer between first and second grade, whereas low-poverty children experienced a substantial summer gain in the wake of learning to read in the first grade.
- Advanced Placement and dual high school/college enrollment increased substantially countywide while, surprisingly, rates of success have increased substantially, as well.
- Children from low-poverty neighborhoods entered kindergarten with vulnerabilities in communication skills and general knowledge, as did children from high poverty neighborhoods.



Each of these random “data surprises,” and many others, whether positive or negative, point the way to interventions by neighborhoods, by schools, by grade levels, by poverty, by race, etc., and SAM plays a role in providing guidance and direction in the investment of community and school resources targeted on the improvement of academic achievement countywide, cradle to career.

IMAGINATIVE INQUIRY

Embracing the Passing Gear model from day one and engaging the community throughout the process was key to the successes and achievements the movement has seen to date. Before addressing educational attainment, the community had to understand it within the context of the data and its cultural history. Part of that process included understanding the concept of upstream solutions.

The Foundation engaged with Yellowwood Associates and other consulting groups to inform and build consensus among the community around educational attainment. The Foundation

Embracing the Passing Gear model from day one and engaging the community throughout the process was key to the successes and achievements the movement has seen to date.

held the Yellowwood Retreat, where it convened a diverse group of community leaders and key stakeholders to identify indicators they believed would improve education, and key target ages. The Foundation then began exploring its role in terms of the Passing Gear model—philanthropy as relief, improve, reform, and engage.

Another contributing factor to the Foundation’s success in leading the development of the College Hub was the continuing engagement of the community and its willingness to embrace best practices in identifying solutions. In addition to gathering research and organizing site visits to other communities, the Foundation engaged a diverse group of stakeholders from throughout the county who played an important role in moving the initiative forward. The process for engagement was intentional and methodical to ensure that all demographics were represented and had a voice at the table. The Foundation spent two years convening more than 200 community leaders and education experts, researching best practices and identifying opportunities for collaboration. As challenges arose, the Foundation and key leaders continued to model this approach in their decision-making.

USING FIVE FORMS OF CAPITAL

From 2008–2010 the Foundation invested more than \$700,000 in the initiative; however, through the process, trustees and staff began to fully understand the more important role the other four forms of capital played in the success of the initiative. Because of the Foundation’s reputational capital as the oldest community foundation in South Carolina and a key philanthropic leader in the community and the region, it was asked early on to consider playing a lead role in the collaborative effort.

The Foundation used its social capital to identify a diverse group of stakeholders and bring people to the table who might not ordinarily have been there, ensuring that the entire community was represented. The Spartanburg Community Indicators Project was instrumental intellectual capital, with the Foundation convening the community, sharing the data, and helping the community understand what the issues were and why they needed to be addressed. There was also continued education and awareness building about the importance of education and going to college. Morally, the community Foundation and its board took the lead in addressing educational attainment, knowing they would need to work through cultural barriers that had been created.

LEARNINGS AND IMPACT

At each of its six stages of learning, SAM assembles “collaborative action networks,” drawing expert practitioners and scholars together from across the county to identify factors, or contributing



indicators, they believe influence success or failure. The most promising factors are subjected to controlled pilot testing with results influencing the adoption of widespread implementation. SAM employs Lean Six Sigma processes in this work, coached by “master black belt” experts from Spartanburg-based BMW. Lean Six Sigma is a continuous improvement process that provides a framework to systematically and strategically dive deeper into data to identify reasonable courses of action, cycling through a five-step process (Define, Measure, Analyze, Improve, and Control) to solve problems.

Outcomes include, for example, county-wide summer “reading camps” for rising second graders in poverty resulting in substantial performance increases from spring to fall assessments, and a county-wide attendance agenda in half-day pre-Kindergarten, which SAM has found predisposes attendance persistence in Kindergarten and beyond. There are similar outcome examples at each of the other six stages.

Bachelor’s degree attainment rates have increased from 19 percent to 23 percent. “Upstream” achievement rates (e.g., increasing values in third grade reading, eighth grade math, dual enrollments, advanced placement, high school graduation rates, FAFSA and application rates, postsecondary enrollments rates, and others) all predispose substantial improvement in degree holding rates in the very near term.

MAKING PHILANTHROPY MORE EFFECTIVE

The Foundation’s initial leadership in addressing educational attainment and SAM’s ongoing leadership approach stretched the community to think differently about how to address an issue in a

systemic way. Keys to the initiative’s early wins and ongoing successes have been: an ability to engage the community and rally people around action to improve their lives; identifying the right leaders and challenging them to think more deeply; embracing innovation and not being afraid to take calculated risks rather than continuing the status quo; looking for ways to leverage resources, using both financial and social capital; working toward finding a common goal and creating a focused solution that others could embrace at varying levels; and learning how to embrace all philanthropic capital and focus them in a way to achieve impact at scale. Going through this process changed the way that the Foundation looks at its work, lives into its mission, and embraces its role as a community leader.

The Foundation continues to be called on to convene groups to collectively identify innovative solutions to meet community needs. It has a broader network of community connections through initiatives such as the Grassroots Leadership Development Institute, a seven-month leadership training program, and the Spartanburg Interfaith Alliance, a group of clergy and lay leaders. The Foundation is able to engage these leaders at a higher level, not only for Foundation-related

matters, but throughout the community.

WHAT WAS HARD ABOUT THIS WORK? WHAT WAS GRATIFYING?

The most difficult challenge was working to change a culture and a mindset that had been ingrained in the community for many decades. Gratification comes with the fruits of that labor—in kindergarten classes hearing students talking about where they are going to college, in a decline in high school dropout rates, and in increased awareness among public, private, and nonprofit sectors about the importance of postsecondary educational achievement. When we can see what was once just an idea—addressing education from pre-K to college to improve the economy and draw businesses to Spartanburg—now well on its way to becoming a county-wide and even regional movement, then we see success.

The Foundation continues to be called on to convene groups on to collectively identify innovative solutions to meet community needs. The Foundation is able to engage leaders at a higher level, not only for Foundation-related matters, but throughout the community.



THE DUKE ENDOWMENT: THE NURSE/FAMILY PARTNERSHIP IN THE CAROLINAS

Through its four program areas, The Duke Endowment seeks to collaborate with government and other funders to change outcomes on critical issues. It recognizes the importance of data and its role in identifying key community challenges and assessing impact. That evolution in the Endowment's "habits of mind" led to a public-private partnership supporting the Nurse-Family Partnership in the Carolinas and an innovative social-impact funding strategy called "Pay for Success."

The Duke Endowment
Charlotte, N.C.

*The Nurse-Family Partnership in North
and South Carolina*

2008-present

When The Duke Endowment was founded in 1924 with a grant of \$40 million by industrialist James Buchanan Duke, and then expanded in 1925 with a \$67 million bequest from his estate, Mr. Duke's indenture directed the new foundation to focus on four program areas in North Carolina and South Carolina: child care, health care, higher education, and the rural Methodist church. Decades later, the Endowment is looking for ways to extend its resources (more than \$3 billion) to attain its goals of nurturing children, promoting health, educating minds, and enriching spirits.

In the early 2000s, the Endowment began taking steps to reshape its strategies and to work more collaboratively across its four program areas. Its leaders also explored ways to build partnerships and leverage the power of state agencies to advance the Endowment's goals. Staff and trustees were learning more about the importance of evidence-based programs and decided to look for ways to extend their reach in the Carolinas. After consulting experts, studying the field, and analyzing the data, the Endowment identified an innovative program—Nurse-Family Partnership—they believed could be scaled and could have sustainable, systemic impact.

Nurse-Family Partnership is a nearly 40-year-old program that provides low-income, first-time mothers with home visits from registered nurses during pregnancy and until the child reaches two years of age—which also had significant longitudinal data about its success rates. In 2008, after the Endowment's investments took a big hit in the Great Recession, it used the information it had gathered (intellectual capital) and its long-standing history in the Carolinas (moral and reputational capital) to engage public and private partners to begin a \$42 million, seven-year effort to scale-up the Nurse-Family Partnership in both states.

In 2016, after an independent evaluator found examples of significant impact, the Endowment was able to approach the State of South Carolina about a Pay for Success contract to expand and sustain the Nurse-Family Partnership program. Pay for Success is an innovative contracting model where funders and providers mobilize their resources toward the delivery of a high-performing social service program, and government sets aside money and agrees to release it if specific, measurable outcomes are met. The success of Nurse-Family Partnership in South Carolina led to the development of the first Pay for Success project in the country aimed at improving health outcomes for mothers and children living in poverty.

HISTORY

The Duke Endowment had begun looking for ways to make its work more interdisciplinary in the 1990s, funding child and family initiatives in hospitals, churches, and higher education. An early example of experimentation with boundary-crossing grants came in 2001 with the Program for the Rural Carolinas (managed by MDC), which used rural churches and hospitals as focal points for economic and community revitalization. In 2005, the Endowment began looking for other ways that its four program

areas could work more effectively together, and to find an area of common interest.

Endowment leaders were becoming aware of the importance of the early childhood years in brain development and how critical the first three years of life were to getting children off to a good start. They brought in speakers to teach them more about brain science and early childhood development, and began attending programs hosted by Prevent Child Abuse NC that exposed them to deeper research in the field, the kinds of high-quality research being done, and the kinds of data that were available.

With the Great Recession, Endowment leaders sought deeper ways to work with other foundations to reach major goals. They also recognized the funding and regulatory challenges that state agencies faced to accomplish work at the statewide level, and the greater flexibility foundation support could provide. With a desire to work collaboratively across its four program areas and a recognition of the importance of working with other private funders and public agencies, the seeds for a new approach were planted.

Endowment leaders were becoming aware of the importance of the early childhood years in brain development and how critical the first three years of life were to getting children off to a good start.

The Endowment brought in 30 leaders in early childhood research and services from North Carolina and South Carolina to learn where its investment could be most effective. That led them to Nurse-Family Partnership. The Endowment spoke with funders across the two states about creating partnerships to strengthen the effort.

Nurse-Family Partnership works to improve pregnancy outcomes and children's lives by:

- Helping women obtain prenatal care, improve their diet, and stop smoking or using alcohol or illegal substances
- Helping parents provide responsible and competent care for their infants
- Improving economic self-sufficiency by helping parents develop a vision for their future, including education and work
- Encouraging the participation of fathers and other family members in the life of the child, and helping parents improve communication, problem-solving, decision-making, and money and debt management skills

¹ The Kate B. Reynolds Charitable Trust in Winston-Salem, which was an initial investor in the program in 2008, made a \$17 million investment over three years as part of its Great Expectations initiative, a 10- to 15-year program with a goal of having all young children in Forsyth County, N.C., birth to age six, meet age-appropriate developmental milestones and enter kindergarten ready for life and success. MDC is the activating agency for Great Expectations.

When the Endowment made its initial investment, it served just one county in North Carolina.

The Duke Endowment partnered with other private and public funders in 2008 in a \$42 million, seven-year effort to scale-up the Nurse-Family Partnership program in North Carolina and South Carolina. Nurse-Family Partnership's expansion in the Carolinas is the result of a strong public-private partnership, which includes private funders, statewide non-profits and governmental entities. Funders in North Carolina include The Duke Endowment, Kate B. Reynolds Charitable Trust,¹ BlueCross BlueShield Foundation of North Carolina, the Division of Public Health, NC Smart Start and Prevent Child Abuse-North Carolina. South Carolina funders consist of The Duke Endowment, BlueCross BlueShield Foundation of South Carolina, the Self Foundation, the Boeing Company, South Carolina Department of Health and Environmental Control, First Steps to School Readiness, and The Children's Trust. Nurse-Family Partnership now serves more than 2,000 families annually in 50-plus counties throughout the Carolinas.

Based on the success of the project's first seven years, the Endowment decided in 2016 to partner with other funders to expand Nurse-Family Partnership to an additional 3,200 first-time mothers in South Carolina. Expansion is being funded with a total of \$30 million, including \$17 million from private funders (\$8 million from The Duke Endowment), the Boeing Co., and BlueCross BlueShield of South Carolina Foundation. The remaining \$13 million is being funded through Medicaid reimbursement. In addition to being the first Pay for Success contract in the nation to focus on the health outcomes of disadvantaged mothers and children, it is the first Pay for Success project to be run statewide in any state.

Using the Pay for Success strategy, the state set aside \$7.5 million in "success payments" to sustain the services provided by Nurse-Family Partnership, but only if the program achieves specified results as determined by independent evaluators.

Using its non-financial capital, the Endowment worked hard to convince policymakers and elected officials that Nurse-Family Partnership could help government save money and get better outcomes.



DATA

The Duke Endowment, through its earlier work, was aware that in 2008 more than a quarter of North Carolina's children lived in poverty, a number that has grown since then. In South Carolina, 27 percent of children live in poverty, and more than half of babies in the state are born to low-income mothers who qualify for Medicaid.

Nurse-Family Partnership had done randomized, controlled trials in three communities across the U.S. and found that families in the program had an 82 percent increase in material employment, 68 percent increase in the father's presence in the household, 39 percent fewer injuries among children, a 48 percent reduction in child abuse and neglect, a 59 percent reduction in child arrests at age 15, and a 67 percent reduction in behavioral and intellectual problems at age 6.

The Endowment worked with a communications agency that emphasized the importance of having local data to show change and the program's impact on its clients. Working with the State of South Carolina, the Endowment developed a database to create a match comparison group and found that mothers in the program were outperforming the comparison group.

In North Carolina, an independent evaluation was conducted in 2016 by researchers at the University of North Carolina at Chapel Hill (UNC-CH), looking at outcomes in several areas, including: pre-term birth, low birthweight, neo-natal intensive care unit admissions, and breastfeeding initiation at hospital discharge. All indicators showed some improvement, with significant improvements in "very pre-term births," reduced 66.7 percent, and use of the neonatal ICU, reduced 20.5 percent. It also revealed that the most significant benefits were felt by African-American women.

USING FIVE FORMS OF CAPITAL

In addition to forming collaborative partnerships, another key to the Endowment's success with Nurse-Family Partnership was developing a communications plan that 1) educated the community and decision-makers, 2) underscored the importance of having local—not just regional or national—data, and 3) emphasized regular conversations with other funders and government officials.

Using its non-financial capital, the Endowment worked hard to convince policymakers and elected officials that Nurse-Family Partnership could help government save money and get better outcomes. The difficulty there, leaders learned in building the Nurse-Family Partnership, was trying to change policies and programs whose methodology was influenced by federal funding.

IMPACT

The Endowment is focused on measurable impact. As of 2012 in North Carolina, 89 percent of babies in the Nurse-Family Partnership were born full-term and at healthy weights; 72 percent of participating mothers did not become pregnant again before completing the program; 44 percent of mothers earned a high school diploma or GED while in the program; and 26 percent were working to obtain a diploma.

The UNC-CH study found that Nurse-Family Partnership cut the need for neo-natal ICU stays by approximately 20 percent (from 7.5 to 5.9) and the risk of very pre-term birth by two thirds. On average, Medicaid births in North Carolina cost \$30,285 for an infant born prematurely or with low birthweight, compared to \$3,183 for an infant born full-term and normal weight. There also was a sizable difference in effectiveness across race/ethnicity, with the largest improvement occurring in African-American mothers.

In its nearly 40-year history, Nurse-Family Partnership has shown the following results:

- 48 percent reduction in child abuse and neglect
- 56 percent reduction in emergency room visits for accidents and poisonings
- 59 percent reduction in arrests by the time the child is 15
- 67 percent reduction in behavioral and intellectual problems at age 6
- 72 percent fewer convictions of mothers by the time the child is 15

WHAT WAS HARD? WHAT WAS GRATIFYING?

The Endowment found that getting the public sector to consider a new program was difficult even when the program achieves better outcomes and saves money. Government is often reluctant to shift money from one social program to another, due in part to a program qualifying for federal matching funds, and in Nurse-Family Partnership's case, its relatively narrow focus on first-time

mothers. With Pay for Success financing, a foundation can say it'll take all the risk. Funders provide the upfront capital for program expansion, and government only makes "success payments" if the services measurably improve the lives of participants. In its work with the public sector, the Endowment would like to see the savings in government costs escrowed and then reinvested in the more successful programs.

What is gratifying, says Duke Endowment President Rhett Mabry, is when mothers talk about Nurse-Family Partnership and the difference it made in their lives and the lives of their children. "Every one of us wants to be the best parent possible," he says. "Some of us had good parents who helped us be better parents. For others, this program helps them be the parents they want to be."



"Every one of us wants to be the best parent possible," Rhett Mabry says. "Some of us had good parents who helped us be better parents. For others, this program helps them be the parents they want to be."



MARY REYNOLDS BABCOCK FOUNDATION: USING ITS ENDOWMENT FOR PROGRAM- RELATED INVESTMENTS

Through the creation of “network officers,” the Foundation found a way to stay in close touch with grantees and their communities, better understanding their needs and challenges. And by regularly reexamining the causes of poverty and economic and social injustice, the Foundation learned about the mechanisms and potential impact of capital investment using philanthropic funds. The use of data, historical context, and insights from community partners, combined with a desire to find innovative solutions to a chronic and widening wealth gap, led the Foundation to augment conventional

grantmaking with program-related and mission-related investments using its endowment capital. Early experimentation failed—but refinements led to successes that created a major thrust in the Foundation’s poverty-reduction strategy.

Mary Reynolds Babcock Foundation
Winston-Salem, N.C.

*Support for Community Development
Financial Institutions*

2010-present

The Mary Reynolds Babcock Foundation was founded in 1953 with a \$12 million bequest from the daughter of R.J. Reynolds and Katharine Smith Reynolds and works to alleviate poverty and increase social and economic justice in 11 Southern states. In its early days it supported historically black colleges and universities, grassroots advocacy groups, voter education, and government accountability efforts, and in the 1990s that evolved into support for grassroots leadership development, organizational development, and community problem solving. In 2004 the foundation changed its mission to “helping to move people and places out of poverty,” supporting organizations that focused on asset development, community economic development, local and state-level policy and systems change, and community assets. In 2015, its net assets were \$168 million.

The foundation had long done traditional grantmaking that included programmatic grants, convenings, technical assistance, and communications. But as it sharpened its strategies, it began exploring nontraditional ways to use its capital to enhance its grantmaking and support its mission. It realized that the foundation staff working with grantees needed to have a complete understanding of the needs and capacity of a community. That led the Foundation to develop the position of “network officers,” who spend time learning about a community not just by analyzing data, but also talking to a broad range of people to contextualize it.

These new perspectives—looking for ways to use capital differently and using staff differently to strengthen community partners—were keys to addressing challenges in equity and economic mobility that had long resisted conventional solutions.

Network officers do research and due diligence on places by taking stock of the change infrastructure at the local, county, and state level. This assessment is done through interviews with current grantee partners and other community stakeholders. The network officers try to understand which strategies and networks have energy and momentum for helping to move people and places out of poverty along MRBF’s three pathways (democracy and civic engagement, economic opportunity, supportive policies and institutions). The Foundation has identified key indicators for each pathway and potential long-term and short-term outcomes for the work. Since this is a new way of working, the foundation consults with grantee partners so they can check the assumptions about the work and whether the signs of progress and articulated outcomes make sense. Network officers also check-in periodically on the social, economic, and political context of a place, as well as the status of key organizations and networks leading the work, and then make adjustments when needed.

MRBF’s pathway to social impact investing began in the late 1990s, as the field of social justice philanthropy was exploring the idea of using more than the required 5 percent payout and asking questions about the other 95 percent. In 2004, MRBF was learning from its grantmaking to community economic development entities about the role capital can play, and began studying impact investing and program-related investments (PRIs)—investments made in support of social change that earn a below-market rate of return, with the principal repaid and recycled for additional grants or investments.

In 2009–10, after long investing in programs that supported

affordable housing, the Foundation became interested in the potential for using capital investments to enhance homeownership. In partnership with Opportunity Finance Network (OFN) and the Federal Reserve Bank of Richmond, MRBF looked at data on Community Development Financial Institutions (CDFIs) in the Southeast such as credit unions, banks, revolving loan funds and venture capital funds. The data showed that there was very little CDFI institutional presence in the region.

The Foundation focused on South Carolina and Georgia because of high need and budding infrastructure and partners there, and began using PRIs to further its mission of helping move people and places out of poverty. It uses these as financial investments, usually insured deposits or loans to a revolving loan fund in a CDFI. These PRIs directly support the foundation’s mission, while its market-rate investments align with its values and investment policy. The Foundation’s investment policy now has a goal of spending 5.5 percent of its endowment’s market value (based on a three-year average), which allows it to exceed the IRS-mandated 5 percent spending.

The Foundation has committed \$10 million toward its PRI program, and the investments go up to \$1 million, with interest rates and terms matched to the purpose and risk of the investment.

These investments are often combined with operating or project grants to help these CDFIs build their financial capacity, leverage public or private sector capital, and improve long-term sustainability. PRIs are made only to experienced intermediaries with a track record of lending or investment and a clear business model for repayment of the PRI. Its strategy evolved to doing larger general operating grants to CDFIs that were in growth mode, supporting state-level network-building of partners in South Carolina with small grants, and providing scholarships for CDFI staff from across the region to attend trainings held by OFN. MRBF also commissioned a research paper on CDFI capacity.

Investing through intermediaries like community development financial institutions increases philanthropic impact by generating measurable benefits and modest financial returns while recycling philanthropic capital. Investing through CDFIs is a way for the foundation to get capital to people and places that need it without taking the risk of direct lending. The result is a group like the S.C. Community Loan Fund, which went from a small, housing loan fund with \$250,000 in capital to a statewide lending intermediary with over \$24 million in assets.

HISTORY

MRBF has an approach to grantmaking that prioritizes gathering information from existing grantees and partners and understanding the local, state, and national context for work happening in communities. History is part of understanding the context and helps illustrate the deep roots of present-day structural and systemic inequality. Looking at economic trends over time, the foundation takes into consideration the social and political environments—and especially the policy environment—that influenced and contributed to those trends. Network officers talk to people who have either a community-level perspective, institutional perspective, and/or a regional, national, or global



perspective on why poverty persists, or how a particular community or place arrived at its current state.

DATA

The board and staff routinely examine data from around the region. The trends shape strategic directions and guide decisions on priorities and grantmaking. The data and trends also facilitate conversations on the gaps the Foundation can influence and those it cannot, based upon the size of its assets and staff capacity. The Foundation uses data on housing, the nature of work and jobs in the region, and community development financial capacity, to name a few.

MRBF network officers use research and data produced by grantees and sector leaders as they relate to the Foundation's mission and the pathways it funds. The Foundation looks at a community's assets and the quality of those assets, and network officers pull data to understand the racial/ethnic, demographic, employment, and health and education context when creating a strategic approach. MRBF requires an assessment from an organization's perspective on the opportunities and challenges in grant applications to further understand context, and this section of the application is often data-rich.

Network officers talk to local leaders and community members to contextualize basic demographic and economic data. They interview partners and collect grant-level data that tell the story of what happened over a grant period and what an organization accomplished. The result is trend data and community input to discern the context and progress, and impact data to gauge the return on investment and inform future strategy.

On one research project on public policy advocacy infrastructure, for example, a consultant collected and analyzed the data, and one gap that surfaced was that advocacy work was woefully underfunded, and leaders of color in policy and advocacy received less support from Foundations than their white counterparts. This influenced MRBF to continue its commitment to policy advocacy and the leadership of those organizations.

The Foundation also looked closely at data produced by the Center for Responsible Lending on predatory lending, and followed local and state campaigns to protect consumers from high interest, pay-day and title loans.

IMAGINATIVE INQUIRY

In moving toward its PRI strategy, the Foundation learned through trial and error. At first, loans were made directly to some organizations that couldn't pay them back. Rather than give up on a PRI strategy, the Foundation refined the strategy to make PRIs only to intermediaries that had a level of capacity and a track record for re-lending to individuals and other organizations. That led to

support of CDFIs.

In addition to CDFIs, MRBF has long invested in grassroots organizations working on social and economic justice in the region. This work was often seen as a threat to the status quo and existing power structures, and reminded powerful institutions of the push and struggle for economic and social inclusion that African Americans were fighting for in the 1950s and '60s. Babcock provided general operating support and organizational support to many small, African-American grassroots organizations that were doing community organizing to improve economic opportunity, stop environmental injustice, and holding state and local governments accountable for investments in low-income neighborhoods. Many of these groups were not receiving support from local foundations.

USING FIVE FORMS OF CAPITAL

The Foundation commissioned a report on CDFI infrastructure in the region and distributed it widely to its funder colleagues, an example of using its intellectual capital. As part of the Foundation's strategic communications, MRBF produced a set of videos highlighting CDFI partners like Access to Capital for Entrepreneurs, the S.C. Community Loan Fund, and the S.C. Association for Community Economic Development.

In 2012, MRBF partnered with Opportunity Finance Network (OFN) to convene funders to discuss the important role of CDFIs in addressing poverty, helping to build assets among low-income families, and the need to build that infrastructure. Grantee partners use moral and intellectual capital to encourage investments in their organizations, and ultimately in low- and



moderate-income families. Investors seem to understand investing in a community bank quicker than investing directly into low-income communities or people; it's easier to make the business case than the moral appeal.

MRBF's staff use their social and reputational capital to engage the field of philanthropy to support structural change by advancing the network officer approach to grantmaking. Network officers do more than just process individual grants—they are encouraged to use their influence and access to help grantee partners raise support for their work. They join grantmaking networks to learn and build relationships with other grantmakers. MRBF staff were instrumental in helping to start Grantmakers for Southern Progress (GSP), a funder affinity group that is organizing Southern and national foundations to learn collectively about the South and approaches that are helping to advance better outcomes for low- and moderate-income communities and groups that historically have been left behind when it comes to economic, social, and political well-being. MRBF supports GSP work with the National Center for Responsive Philanthropy to do research on the region and help inform and educate the field about the opportunities and ways to enter the region.

IMPACT

The Mary Reynolds Babcock Foundation is building a system to track and assess impact for leverage and influence. The foundation has learned that it's hard to correlate impact across places and created an approach for assessing impact in which it names a strategy or rationale for investing in a place (state, or multi-county sub-region), and then identifies potential outcomes over a number

of years, and signs of progress.

LEARNINGS

MRBF has learned that a funder can't get ahead of its grantees and force strategies they don't fully understand or may not be appropriate for their community. Success takes patience and the ability to meet people where they are, hear the wisdom in that place, and see the people directly affected as experts and important contributors to creating solutions. It means moving away from industry jargon and being in partnership with grassroots and nonprofit partners to co-create strategy, build authentic and transparent relationships, and share power while not abusing your power as an investor.

The Foundation also is exploring its ongoing commitment to racial equity and how it can be more explicit about equity in its multiple forms.

WHAT WAS HARD ABOUT THIS WORK? WHAT WAS GRATIFYING?

Network officers say it is gratifying to see the success of PRIs in organizations like the South Carolina Community Loan Fund, which has provided 313 loans totaling \$39 million in financing, resulting in nearly 3,000 jobs, more than 1,400 housing units, 16 community businesses, and nine healthy food outlets. Or Community Works Carolina in Greenville, S.C., which transitioned from being a housing loan fund to a full-service credit union in four years, with depositors getting out of debt, purchasing their first home, or raising enough capital to start a business. It's gratifying, they say, to support a vision held by local people and see that vision change an organization from a start-up to a sector leader that can then transform the community. They also are gratified at being able to support the leadership of women in the financial services space—most of the Foundation's youngest CDFI partners are led by women, including several women of color.

Success takes patience and the ability to meet people where they are.

The challenge of CDFI work, network officers say, is that it takes time and a lot of capital to build an organization with the level of systems needed to do lending and technical assistance—and the need for CDFIs is still great in most states in the Southeast. MRBF made a commitment to help build CDFI capacity in the region and often wound up being one of very few investors providing general operating support. At the time, 2010–2012, many of MRBF's CDFI partners were emerging as important vehicles for community lending, but they needed more support so they could do more lending. The Foundation had to balance this strategic opportunity with the need to fund other strategies across the region.



U.S. ENDOWMENT: SUPPORTING AFRICAN-AMERICAN FARMERS AND FOREST ASSETS

A program to help rural, African-American families that had owned property for generations get clear title to their forestland and reap the economic benefits. The U.S. Endowment took a difficult problem, came to understand its causes, identified the barriers, and then used intellectual capital to learn why the property owners weren't getting help and reputational capital to bring in government and corporate partners to solve the problem.

U.S. Endowment for Forestry and Communities
Greenville, S.C.

Partnerships to Unleash African-American Forest Assets

2009-present

Just before the Great Recession, in September 2006, a new national philanthropy was chartered to address forest retention and family-wage jobs in rural communities. The U.S. Endowment for Forestry and Communities was part of a trade dispute settlement between Canada and the U.S. over softwood lumber that resulted in the new entity being granted \$200 million in funding. Although tasked with helping rejuvenate the forest sector on a national basis, the Endowment is providing strategic leadership to help ensure that forests remain a cornerstone of the South's rural economy.

As the Great Recession shook global confidence and the housing market plummeted, sawmills and paper mills fell silent. Forest products jobs slipped away—50 here, 75 there—more than 500,000 in total across the U.S. Without markets for their trees, family forest owners who dominate ownership across the South felt the pain, too.

The recession exposed vulnerabilities in the forest industry but also created opportunities to explore new scenarios for the future. The Endowment developed a multi-pronged strategy to address forest retention and job creation in forest-rich communities through its investment of financial, reputational, and social capital as it:

- sought systemic, transformative, and sustainable change
- went “long and deep” on a small number of big issues
- embraced risk—doing what others couldn't or wouldn't—in pursuit of positive results
- insisted on partnerships and leveraged investment for major projects

Forest products have lost market share to steel and concrete and the move to electronic publishing. Reversing that trend required new thinking. Farmers use USDA “check-off” programs to stimulate demand: they voluntarily assess themselves, pool the funds, and support research and marketing (“Got milk?” is one such campaign). In 2007, the Endowment helped softwood lumber producers create a check-off program to develop new technology and promote wood as a sustainable, green building material. Also with Endowment help, the paper and packaging industry created its own check-off. An investment of about \$1 million by the Endowment is now generating \$40 million per year for forest industry research and promotion.

A number of the Endowment's forest preservation and grant and investment programs in the South are designed to bring promising technology to commercial scale, increasing markets for wood and creating rural jobs. They include development of high-strength, high-tech cellulosic nanofibers; earthquake-resistant, cross-laminated timbers; and torrefied (roasted) wood that burns with lower emissions than coal. The Endowment encourages water utilities to invest in forested watersheds to protect water supplies through low-cost household fees (with a pilot project in Raleigh, N.C., and similar projects in South Carolina, Georgia and Arkansas), and helps the U.S. military create conservation easements on forests adjacent to military bases to restrict neighboring communities' encroachment on vital training grounds while

preserving forests and habitats.

The Endowment uses a public-private partnership model; the U.S. Forest Service and Natural Resources Conservation Service (NRCS) are major collaborators, as are the Department of Defense, the EPA, and state natural resource agencies.

A particularly successful program in the South is helping minority forest owners—many of whom have been ineligible for state and federal services because of land title issues—resolve legal problems, implement forest management plans, and tap forest products markets. Hundreds of families across seven Southern states are now participating in cost-share programs, improving forest health, realizing income, and building long-term assets. A subset of those have overcome an especially challenging problem—“heirs property.”

Although tasked with helping rejuvenate the forest sector on a national basis, the Endowment is providing strategic leadership to help ensure that forests remain a cornerstone of the South's rural economy.

HISTORY

Seven years ago, Endowment leaders were researching new issues and met Alan McGregor, a co-founder of the Southern Rural Development Initiative who specialized in rural philanthropy and asset-based rural development. Endowment President Carlton Owen spoke with him about the problem of heirs property—rural land that had been purchased by or deeded to African Americans after the Civil War but was passed down without a written will and was owned jointly by multiple descendants. There are an estimated 1 million acres or more of heirs property in the U.S., and because it does not have clear title, the land is usually ineligible for federal assistance.

The Endowment's leaders and board connected with the Center for Heirs Property Preservation, a nonprofit in Charleston, S.C., and three other “pilot” projects to test the waters. They quickly realized that helping these property owners understand the power and potential of their lands and, where needed, to clear their title and gain access to federal services was a way to help struggling rural families build wealth, aid their local economies, and enhance forest resources.

DATA

There was data available about the extent of the challenge, in part because of the Pigford v. Glickman class action lawsuit that alleged that the U.S.D.A. had discriminated against black farmers in the way it provided loans and technical assistance. The suit was settled in 1999 and nearly \$1 billion was paid to farmers under the



consent decree, and another \$1.2 billion was allocated by Congress for a second settlement. More than 13,000 farmers received settlements under the first decree, and another 70,000 farmers were considered for aid under the second settlement.

One of the Endowment's pilot programs in Eastern North Carolina set about finding out why many land owners had never looked into the real and potential value of their timberland. They started with the assumption that it was a function of mistrust—that, after a century of discrimination by authorities, African-American landowners didn't trust the government and its consultants. That was partly true—people with no trust in the legal system would avoid it, often resulting in parents and grandparents passing away with no will. Heirs often held onto the land for its sentimental value, not its economic potential, because they had promised their parents and grandparents they'd never sell. But the Endowment also discovered it wasn't just an issue of trust, it was a function of the families' disconnection from any official sources. Their networks included church, family, and neighbors, but they weren't connected with official sources that might be able to help them.

The Endowment commissioned the University of Georgia to do research on how African-American landowners got their information, how many contacts they had, and the number of connections. They found that most families had just three points of connection (family, church, and neighbors) and no inkling about

the real value of their land. That led to an outreach program to identify forest owners, including those with heirs issues, and get them information about the real value of their forested land and how they could capitalize on that.

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USING FIVE FORMS OF CAPITAL

The Endowment took what it had learned and went to the U.S. Forest Service and the NRCS (which administers funding for farm and forest management) and found out that they, too, were struggling to reach what they called disadvantaged and limited resources landowners, even after the settlement of the Pigford suit. The Endowment asked the Forest Service for a matching grant, and was given \$300,000. NRCS committed hundreds of thousands of dollars more to help disadvantaged forest owners begin management of their timber resources. The Endowment and the agencies created partnerships in four pilot areas to test their work. They then brought in state forest agencies and corporate partners that saw the value in helping landowners while improving the supply of timber for forest products.

But for many landowners, one especially difficult issue remained that the government agencies weren't allowed to address—the heirs title problem. So the Endowment committed its capital in some cases to providing legal services to help them get clear title to their land, enabling them to take advantage of federal assistance. It also engaged partners on the ground to use their legal staffs to help. It's a torturous legal process—one piece of land the Endowment worked with had 400 heirs, and they had to find them all. Once a piece of property has a clear title, the Endowment connects them to the NRCS, which provides funds for a forest management plan that could include site preparation for land that often has been fallow or mistreated, and goes on to cover planting, herbicide treatment, and controlled burns if necessary. While the average landowner can get up to a 75 percent cost share to pay for the services, limited resource owners can get up to 90 percent, and in some cases the Endowment paid the difference.

IMPACT

The program has helped nearly 700 landowners, many of whom were able to gain clear title to their land, and is now operating in seven states. As a result of its success, several program partners have created training programs for woodland advocates who go into the field and help landowners understand that they can trust them, can help them make money, and won't take their land away. In a South Carolina NRCS office that couldn't find enough African-



American land owners to help, there was a 240 percent increase in clients and there's now a backlog. The Endowment estimates that as a result of the program, the NRCS has provided around \$2 million to African-American landowners.

The Endowment has retained an outside evaluator, and with the success of the program and the expanded involvement of state agencies and industry partners, it's confident the program will become systemic, allowing the Endowment to fulfill its role as a catalyst so it can move on to other issues.

WHAT WAS HARD ABOUT THIS WORK? WHAT WAS GRATIFYING?

Because the U.S. Endowment has a partially commercial purpose—to support North America's forest industry as well as its forests—it has been hard to convince other philanthropies to see the program as a social justice issue that is helping rural, low-income families create wealth and income while improving the local economy.

It was gratifying, they say, when they brought a dozen African-American landowners to Washington to meet with U.S. Secretary of Agriculture Tom Vilsack, the heads of the U.S. Forest Service and the NRCS, and other dignitaries. USDA Under Secretary Robert Bonnie said the partnership was one of the proudest, most important things he'd done at the agency because it was getting results—after trying so many other things that didn't.

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CHAPTER FOUR

Our region is fortunate to have a cadre of veteran grantmakers whose work exemplifies the habits of mind that are central to Passing Gear practice: a deep understanding of the strengths and shortcomings of the Southern culture and context, a values-driven restlessness for more equitable conditions and outcomes across the region, a passion for data-driven strategies informed by the aspirational North Star of shared wellbeing and unfettered opportunity, and a commitment to continuous improvement grounded in reflection, evidence-based assessment, and imaginative inquiry into new possibilities.

This section contains reflections in their own words about the “how,” “why,” and “for whom” of what they do. They share what is necessary and possible for Southern philanthropy when it aspires to be Passing Gear:

- Gayle Williams, philanthropic advisor and former Executive Director of the Mary Reynolds Babcock Foundation, on “Reading Reality With Joy, Humility, and Passion”
- Sherry Magill, President of the Jessie Ball DuPont Fund, on “Putting Community at the Heart of What We Do”
- Gladys Washington, Assistant Director of the Mary Reynolds Babcock Foundation, pointing out “We Have a Lot to Learn From Folk”
- Karl Stauber, President of the Danville (Va.) Regional Foundation, on “Turning a Leaky Daycare Roof Into Systemic Change for Children”
- The Honorable James A. Joseph, former U.S. Ambassador to South Africa, former President of the Council on Foundations, and Chairman Emeritus of MDC on “Making Hope and History Rhyme”

We are honored to elevate their voices.

GAYLE WILLIAMS: READING REALITY WITH JOY, HUMILITY, AND PASSION



Q: “You (talk) about the passion of grassroots leaders. Why does passion matter?”

A: “I’m convinced that the biggest asset we’ve got in advancing equity in the region is the people who are working to make it happen. It’s easy to fall into the trap of treating them like any other person looking for a grant, without taking care to connect with them as people, to understand their passions, and to figure out how to support them beyond just investing money.”

—From “It’s Better to Listen Than To Talk,” *Wit and Wisdom: Unleashing the Philanthropic Imagination*. Mark D. Constantine is interviewing Gayle Williams, p. 90. 2009, *Emerging Practitioners in Philanthropy*.

Editor’s note: Gayle Williams has 30 years of leadership and management experience in philanthropy and nonprofits. She now works as an organizational consultant and individual leadership coach after 19 years as executive director of the Mary Reynolds Babcock Foundation. She was interviewed by Joan Lipsitz, a senior fellow at MDC who formerly was program director for elementary and secondary education at the Lilly Endowment.

JL: Do you have something on your mind at the outset that you want to make sure you say about what thoughtful philanthropy is?

GW: Thoughtful philanthropy is deeply values-based. Being aware of and explicit about the deep values that inform the work is a place to start. For me the values always center on fairness, equity, justice, love, compassion: everything builds from there. Dr. Martin Luther King, Jr. wrote, “Power without love is reckless and abusive, and love without power is sentimental and anemic. Power at its best is love implementing the demands of justice, and justice at its best is power correcting everything that stands against love.” That says it for me.

JL: How do you move from that awareness of deep values to the deployment of philanthropic resources?

GW: That’s where my practical bent comes in. The values guide and determine, but *action* manifests love and justice. It takes the shape of really practical things, like who’s on the staff, who’s on the board, making general operating grants, being in deep listening, respectful, purposeful partnerships with people and organizations aligned with the foundation’s values. So it comes down to the basic things a foundation does every single day, every hour of the day. A foundation’s staff and board should look like the community it serves, so that the experiences of people you want to be in partnership with are inside the foundation making decisions about how the power and privilege of the foundation are used. For me, it gets really practical, really fast.

JL: What kind of lessons have you learned about doing that work?

GW: It is absolutely the most rewarding, thrilling work I have ever done, and it is incredibly hard. Foundations are by their nature institutions of privilege—primarily white privilege—in a culture where money is perceived as power. To work with that crucible of power and privilege in ways that attempt to do what Dr. King talks about requires sensitivity and courageous action. Money, and therefore power, is an undeniable dynamic in relationships with the people and organizations with whom we seek aligned

Thoughtful philanthropy is deeply values-based. Being aware of and explicit about the deep values that inform the work is a place to start. For me the values always center on fairness, equity, justice, love, compassion: everything builds from there.

work. It takes focused intentionality to be aware of the perceived power held by foundations and their representatives. It takes long patience to build effective relationships over time that position foundations as trustworthy partners and grow “we” power (thanks to Anderson Williams for this phrasing of shared leadership).

It is essential that people in foundations do our own inner work about power and privilege, which is easier said than done. “Vulnerability” is an overused word, but as people in foundations, we have to come out from behind the privileged role we hold and put some of ourselves out there just as the people we are talking to are putting some of themselves out there. We have to deal human to human, with love and power. Inside the foundation, when the staff and board become more inclusive racially, ethnically, and socio-economically, we have to learn our way into being open to new sources of wisdom and to differences that rise to the surface, and as individuals and as a group be able to hold creatively the differences that come from various world views and life experiences.

It is inevitable that we’re going to hurt each other. I’ve been at foundation meetings with staff and board members who were either livid or in the bathroom crying because of an insensitive, uninformed comment made about their ethnic or socio-economic background by a foundation colleague. How do we use these experiences in ways that deepen understanding, strengthen relationships, and advance justice? Some folks now call this “deep equity” work, which pays attention to hearts, minds, behaviors, and structures. Philanthropy requires us to put some of ourselves on the table with each other in ways that go way beyond the intellectual ideas or the technical parts of the work, like objectives and outcomes. The technical parts are important, but I think often more important is the human part of how we treat and respect each other in the crucible of power and privilege.

JL: You said something about what you loved about the work—that it was rewarding and thrilling. I wrote down the word “joy” as something we might talk about.

GW: When I look at the world through a love and justice lens, there is a lot to despair about. If despair becomes the driving force within me and therefore in the foundation, I compromise my power on behalf of love and justice. I think it’s more

powerful—and joyful—to look at reality truthfully and then engage with that reality in a way that somehow can tap into the resilience and potential for good in the human spirit. Foundations often work in painful situations that reek of power, abuse, and recklessness—and sometimes we may be the reckless ones. So when I think about joy, it is not in the sense of silly happiness; it is a sense that there is a spark of the best of humanity that can be brought to bear, and *together* we can breathe life into that spark. Foundation people don’t talk much about joy and hope; maybe doing so would put us in greater, closer alignment with people who stay at the hard work of justice and equity with personal passion and power. This approach is in opposition to our cultural scarcity mindset. Foundations often look at our communities with a scarcity mindset, and national funders look at the South with a scarcity mindset. What we all miss are the incredible leadership, talent, and resilience that exist in people and communities in our region. They may not look like we expect them to look, but they are there if we open our eyes with a more abundant, inclusive, joyful mindset.

JL: How have you come to think this way? Years go, when you were a program director at the Lilly Endowment, were you thinking this way?

GW: I was, but I didn’t know how to articulate it.

Philanthropy requires us to put some of ourselves on the table with each other in ways that go way beyond the intellectual ideas or the technical parts of the work, like objectives and outcomes.

JL: Can you think of anything that made you know what you think besides doing this work for 25 more years at Babcock?

GW: Just doing it, paying attention to myself, and having relationships that helped me pay attention beyond my comfort zones. And coming back home to the region I love and doing somewhat more place-based work. At a regional foundation like Babcock, I’m very aware that I wasn’t doing community-based work, but it was our orientation to be a good partner to people doing place-based work.

JL: Can you think about any influences on you in the 25 years?

GW: A ton. I was influenced by Paul Ylvisaker’s stance that philanthropy is deeply relational work, and foundations have a moral obligation to use their power and privilege with strong dosages of humility and for the common good. The work is not transactional. Philanthropy is relational. It’s about the money, but it’s about a whole lot more than the money. Also, I have to name the team of colleagues (Jennifer Henderson, Kenneth Jones,

George Silcott) who early during my tenure at Babcock taught Sandra Mikush and me (two white women) about structural racism with patience, honesty, and eventually trust. The Babcock Foundation grantees were an enormous influence on me. That's where the joy comes from! To spend all these years working with the people I've worked with—how many people get to do that?

JL: What big lessons do you think you learned from grantees?

GW: The power of the possible. I learned strategy from them—to read reality, to take what you have to make what you need to achieve impact. Foundations can have objective analysis of issues, wonderful ideas about what needs to happen, and information on best practices, and that's important and helpful. But I learned from incredibly talented people across the South who do the hard work of place-based social justice day in and day out because that's what they're called to do. They taught me about holding vision, building momentum, and practicing shared leadership. Smart strategy became real to me. Another thing I experienced with them is a deep love of place, including a willingness to work in a place that doesn't always treat you and your people well, and to love that place and its people enough to stay there, to see the possibilities for making life better for everyone.

JL: It strikes me that you are talking about hope.

GW: Yes, the hope that we can be different together, and that we can make a difference that truly matters. When we were working on racism and poverty at the Babcock Foundation, I wanted to be careful about the language of vision and impact that we used, because nobody is going to solve the problem of racism in the South in our lifetimes. We can't go at it thinking that we're going to solve this structural problem. That kind of thinking inflates a false sense of a foundation's impact or reduces reality to bite-sized little pieces. Maybe we can achieve some impact on that little bite-sized problem, but we still have structural racism and poverty. The people I see working effectively on these really hard, intransigent issues are people who go at it with a deeply held set of values and a hope, a conviction that while we may not solve the big structural problems in our lifetimes, we can go far enough "upstream" toward root causes to make life better for large groups of people. To some people that may sound like accepting an unacceptable reality, because I seem to be saying that structural racism and poverty will always with us. I am not accepting an unacceptable reality; I am suggesting that we do what we can to change that reality as much as we can, with measures of bothchutzpah and humility about what is possible. To think we are going to "solve" historically intractable problems disempowers us and everybody who hitches their wagons to ours. Parker Palmer talks about standing in the gap between "corrosive cynicism" (e.g., nothing will change, so why waste effort) and "irrelevant optimism" (e.g., if we get everyone collaborating, the problem will be solved). Holding the creative tension between these two is necessary for staying in the game with faithfulness and effectiveness, all the while reading reality truthfully. To fall into either corrosive cynicism or irrelevant optimism disempowers us. We are called to stay real, to

stay hopeful, to stay in relationship, and to constantly build our and others' capacity to stay in the game and make the positive difference we can, given the circumstances that may be somewhat in our control but a lot of times are not.

JL: Are you disappointed in something you did or did not do?

GW: I am disappointed I didn't do even deeper work on economic privilege, white privilege, and internalized oppression within foundations. Some people in philanthropy and the nonprofit world are working on this now in ways that can be freeing and empowering. It's a deeper dive into the crucible of power and privilege that foundations live in. I regret not having done more of that through my leadership.

JL: Do you think in your leadership capacity you worked from a theory of change?

GW: Yes. Everybody does. Mine wasn't a very linear one. It didn't fit into boxes. My theory of change was to know the deepest values we want to help bring to life in the world personally and institutionally, to learn deeply in broad areas where we can bring those values into greater presence in the world, to be smart about where our institutional and personal capacity can best be brought to bear, and then to go look for people who are making a difference. Get in relationship with them. Build momentum and impact *together*, constantly learning from what's working and what's not, what we need to do differently, what's the next iteration, to build toward impact. It's a theory of change grounded in relationships among people and organizations, working in ever-changing contexts. *Talking* about this is hard for me. In my current consulting with foundations, including on Passing Gear philanthropy, I am grateful to work with people and institutions that are *doing* what they have just come to understand or what they have always sensed as possible to make a difference. I'm committed to action rather than talking about it. Passing Gear is one way to help people read their reality truthfully and inclusively, and then to match their capacity to what they can actually get done. I want to work on that *expansion* of reading reality and then helping people identify, "Okay, what's ours to do here and how will we get it done?"

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SHERRY MAGILL: PUTTING COMMUNITY AT THE HEART OF WHAT WE DO

“Nonprofits... must build a conversation with anchor institutions that have lots of endowed capital—foundations, hospitals, higher education—about redeploying a fraction of their endowments toward local program and mission-related investments, and in neighborhood redevelopment. They must help foundations understand that they can invest their endowed capital locally.”

By Sherry P. Magill

We began this American experiment understanding full well the centrality of community—the commonwealth—in the human enterprise. As John Winthrop, the first governor of the Massachusetts Bay Colony, said in a speech he delivered in 1630: “Now the only way. . . to provide for our posterity is to follow the counsel of Micah: to do justly, to love mercy, to walk humbly with our God. For this end, we must be knit together in this work as one man. . . We must delight in each other, make others’ conditions our own, rejoice together, mourn together, labor and suffer together: always having before our eyes our commission and community in the work, our community as members of the same body.”

For our very security and to provide for ourselves and those that come after us, Winthrop said let’s create community. He did not say let’s create a police state, let’s arm ourselves. The only way these early Puritans would make it through a harsh Massachusetts winter would be to work together for the common good, not against each other and not to advance self at the expense of others. It’s a refrain we recognize in the Preamble to the U.S. Constitution: “We the people . . .” Our early political theory and practice tells us that we literally created governments to “establish justice, insure domestic tranquility, provide for the common defense,” and “promote the general welfare.”

It’s almost 400 years since Puritans landed in Massachusetts Bay. Individualism came to rule, supplanting the central importance of community, so much so that many of us now live alone in homes, apartments, and condos, disconnected from those who live nearby, but oddly connected through technology to folks we don’t even know living all over the planet. We are very plugged in. Yet, we seem to know so little about the places in which we live, we do not believe government in any way represents our collective will nor do we think government can do anything good. In some places, it looks like we’ve given up on each other, hell-bent on dismantling the basic functions of local government.

In Jacksonville (Fla.), our local government postpones mowing parks, has dramatically cut back neighborhood library hours, and will not solve our local pension crisis, despite our bond rating having been downgraded by Fitch and Moody’s. Why? Because local politicians will not raise any revenue through any taxation of any sort. But the real reason is because the people do not expect anything good to come out of local government, or government at any level. And the secondary reason is that too many of those

with discretionary money are not dependent on things “public.” They might be readers, but they don’t need the library system to gain access to a book; they do not need to use the computer in a public library to apply for a job; their children do not need to participate in after school programs held at the public library. They think they do not need anything the public has to offer. We see no need to promote the general welfare, a reflection of our deep disconnection from community.

Yet, the only way we humans are going to make it—the only way we are going to meet the daunting myriad challenges facing us at any level: the family, neighborhood, town, city, state, nation, planet—is to rediscover our basic interdependence, to rediscover community, to do everything within our power to build and strengthen community rooted in local places. I have no faith that electronic communities will meet the challenge.

Which is why I believe foundations and nonprofits have a tremendously important role in building and nurturing community, putting community at the heart of the work we do. Unfortunately, I see a disturbing movement by elected officials—especially those serving in local government—toward eliminating contracts with nonprofits complimented by requests to private funders to bail out public services. It’s the local elected official’s definition of public-private partnerships. In other words, we too often refuse to understand public and private dollars as complimentary to one another, but rather we want to believe private money will replace public money in the provision of public services. The public has the need but the private philanthropic sector provides the dollar.

The new assumption is that local government, having privatized human services through nonprofits, having helped engineer private money toward public schooling, having succeeded at getting major American foundations to assist in Detroit’s bailout of its public pension system, now has reduced its financial obligation to fund those services. And as local city budgets become tighter, this refrain I am confident will grow louder. We are absolving the public from responsibility for the condition of our communities.

The Jessie Ball duPont Fund is a private grant making foundation with roughly \$280+ million in assets and an annual budget of

\$14 million. Mrs. duPont was born Jessie Ball in 1884, graduated from college, became a teacher, and married Alfred duPont in 1921. Five years later, they settled in Jacksonville, where together they established new roots, built a new family fortune, and became philanthropists in what by then was becoming a great American tradition. Upon her death in September 1970, Mrs. duPont’s will established the perpetual fund that carries her name.

I was one month into my college freshman year when Mrs. duPont died, the Vietnam War continued to rage, Jim Crow segregation laws in my home state of Alabama were just beginning to be dismantled. Humans had only recently reached the moon. The words “ecology” and “environment” were beginning to enter the American daily lexicon; AIDS was unheard of; the personal computer, smart phones, and tablets were not something normal folks knew were possible. Young people watched movies at the local drive-in theater. A smart watch was some far off science fiction invention that only the cartoon character Dick Tracy sported. No twitter, no Internet, no YouTube.

On the giving side, Mrs. duPont was not inventing foundation initiatives, words, and acronyms—piloting programs, measuring results, taking things to scale, analyzing, going back to the drawing board, changing direction, starting over. Rather, she gave money away during her lifetime to organizations mostly, but not all, rooted in Southern places and especially in states she called home—Delaware, Virginia, and Florida—in communities where she lived—Port St. Joe, Wilmington, Virginia’s Northern Neck, Jacksonville, and Richmond. She supported churches, colleges, universities, hospitals, organizations that preserve local history, serve children and elders, and even some that wanted to change systems, especially the child welfare, juvenile and criminal justice systems. Her basic philosophy was simple: she understood deeply one’s human obligation to share one’s good fortune with those less fortunate, to give generously, to open one’s heart to his or her fellows. “I believe that funds should be spent for the benefit of society” she famously wrote. “I have always believed it. Don’t call it charity . . . I think it is an obligation.”

Her giving was rooted in community, reflected in major local institutions—the church, the school, the local nonprofit—in local stories, history and culture. In other words, in organizations rooted in basic American democratic narrative that bind local folks together with a sense of purpose and meaning, one that balances individual rights with one’s obligation to nurture communities and serve a larger public purpose.

Mrs. duPont represents a generation of wealth and obligation that I might call an “old form” of philanthropy, focused a bit more admittedly on the charity side of giving and less on what we might think of as Passing Gear philanthropy, or the strategic intervention approach to solving tough social problems. She was not attempting to change the world. Doing so would not have occurred to her. But she was compassionate and generous and she understood far better than many do today the extraordinary importance and power of folks bound together in community. She

simply wanted to use her giving to help someone else live a better life. She did so by funding organizations—operating support.

While the world in which Mrs. duPont practiced her philanthropy was filled with its own complexity, it was in many ways a far simpler world, one much easier to understand and shall we say “do good works in” than the world in which we currently live. It was not a perfect world, no golden age, but by definition folks understood on some level the central importance of community, and one’s individual responsibilities to something larger than self. We saw government as an expression of our collective will, we believed citizens could solve problems, and for the most part we thought we were in this together. And we understood nonprofit organizations in their community context, and saw them as essential to the work of helping less fortunate people do better.

Mrs. duPont’s giving is, in many ways, different, simpler, and perhaps more centered than much of what we read about giving today. Ironically, we read that giving is reaching new records, we know that the likes of Mark Zuckerberg are granting hundreds of millions of dollars in single events, that markets are up and that endowments have recovered from the economic collapse of 2008. Yet nonprofits operating at the local level, including local community development corporations, are not recipients of these dollars. Who is?

Some community foundation and higher education endowments are recipients of large gifts. In Jacksonville, much of the younger family foundation wealth has organized itself under the community foundation structure, which is not of itself a bad thing. We want to build the strength of local giving in local places and we should want to do that as efficiently as possible. Some universities are having campaigns that raise billions of dollars. That’s a lot of money.

The larger question is this: what kind of nonprofit enterprise is the object of this giving? Much of it is education—inventing local alternatives to the urban public school system we have built over many generations, whether that be bringing Teach for America to town, Kipp academies, charter schools, improving reading and math scores, and developing teacher talent.

But if nonprofit endowments—no matter what the form—are the recipients of major giving, then we need to ask a different question, changing the conversation away from just talking about grants and toward how best to think about investment capital. After all, that’s where the real money lay. The Jessie Ball duPont Fund began its program-related and mission-related investment strategies, overall a tiny part of our endowment, after the 2008 market collapse. When the value of our portfolio dropped \$100 million in 100 days, representing 28% of our pre-collapse value—I started seriously asking questions about all the money under our stewardship, and how to direct some of the endowment capital to communities we care about. It’s also how we embraced the idea of using almost \$20 million of our endowment in purchasing and

We must be audacious, maintain and instill hope, dream big dreams, tell local stories about people we know.

repurposing the Haydon Burns Library—its primary purpose is to rent space to local nonprofits to drive down their operating costs because funders don’t want to fund those operating costs. If we cannot grow giving for operating costs, we have to find a way to reduce those costs without jeopardizing mission. Controlling rents and energy costs through shared space is one avenue.

We need to step up our game at telling the basic story about people turning their lives around. And givers do not fund data, no matter what they tell you. They will make you show results, but they fund success. Nonprofits need to tell their extraordinary success stories through the voices of the people whose lives have improved. They must build a conversation with anchor institutions that have lots of endowed capital—foundations, hospitals, higher education—about redeploying a fraction of their endowments toward local program and mission-related investments, and in neighborhood redevelopment. They must help foundations understand that they can invest their endowed capital locally.

Nonprofits that know what they value, that are led by people who act ethically, that inspire others by example, that have a large promising vision of what human life can be, are nonprofits that will win out. Most often, they are rooted in human community and enable the most ordinary people to accomplish the extraordinary. It may be that their work is difficult to articulate because it is difficult to hear. We have lost the language of community.

But despair is not an option. As the Rev. Martin Luther King Jr. said in his 1964 Nobel Peace Prize acceptance speech: “I refuse to accept despair as the final response to the ambiguities of history. I refuse to accept the idea that the “isness” of man’s present nature makes him morally incapable of reaching up for the eternal “oughtness” that forever confronts him. I refuse to accept the idea that man is mere flotsam and jetsam in the river of life, unable to influence the unfolding events which surround him.”

I believe that people everywhere can have three meals a day for their bodies, education and culture for their minds, and dignity, equality and freedom for their spirits. I believe that what self-centered people have torn down, other-centered people can build up. Like Rev. King, we must be audacious, maintain and instill hope, dream big dreams, tell local stories about people we know. And then we will build on our extraordinary success.

Sherry P. Magill is President of the Jessie Ball duPont Fund. This is adapted from a speech to the national staff meeting of the Local Initiatives Support Corporation (LISC).

GLADYS WASHINGTON: ‘WE HAVE A LOT TO LEARN FROM FOLK’

By Gladys K. Washington

In my 25-plus years in Southern philanthropy, I have learned a lot—not from textbooks or think pieces or some oracle on high, but directly from the region and its people. The most important advice I can offer someone new to philanthropy is to lead from a position of humility, dignity, and respect for every person you meet. This is a relational business, and relationships will make you a better grantmaker.

Whether you're a place-based funder or an issue-based funder, understanding context is essential to identifying unique opportunities and partnerships with transformative potential. There are many Souths, each with its own history, culture, institutions and political realities, so there can be no one-size-fits-all package of remedies. People are well aware of the challenges and opportunities in their communities, and they often know the solutions to their problems. That means we, as grantmakers, must lead from the position that we have a lot to learn from folk. Be ever mindful that while the nature of philanthropy places us in a position of power, we don't have all the answers. Forge authentic, trusting, co-learning relationships with your partners and engage deeply. Encourage honesty, risk-taking, and tough questions from both sides. To understand effective strategies and how best to support them, follow the lead of local experts. Attempting to impose your foundation's programmatic will on an organization can only lead to frustration, missed targets and retrenchment. We don't own the work; we support it.

Take the long view. In a region still very much grappling with the vestiges of slavery, Jim Crow and government-sanctioned institutional racism, it's unrealistic to expect change to happen overnight. Given the multiple, mutually reinforcing factors keeping people trapped in poverty, there can be no one-shot approach to advancing justice and equity. To achieve true social change, we must push ourselves to consider long-term solutions, sustained support, and a range of complementary, multilayered strategies.

Don't simply commit to supporting good projects; commit to supporting strong, resilient organizations. Multiyear, general-support grants offer partners the flexibility to respond to unforeseen challenges and opportunities. It also enables them to build their capacity, operate efficiently and address organizational development needs.

Expand your definition of “investment.” Don't limit yourself to grantmaking as your only mechanism for effecting change. Familiarize yourself with all the tools available to you and wield them thoughtfully. At Babcock, we invest our money into grants, program-related investments and market-rate investments that adhere to a strict environmental, social and governance policy. We invest our time into brokering meaningful relationships among peer organizations, learning about context and sharing those lessons with the field. We invest our influence into encouraging more philanthropic support for the South.

One of our most powerful tools is our voice. While foundations typically have tremendous social capital, they're often reluctant to speak up, take a stand or advocate for vulnerable communities. Now is not the time to be meek.

Seek to join a grantmaking institution whose values align with your own, as I did with the Babcock Foundation. Keep those values at the center of your approach, and shout them from the mountaintops. Recognize that social justice work often puts your grantee partners in real danger, and have their backs.

Meaningful change in the South will require bold leadership in the philanthropic sector. Lead with humility, respect and steadfast values. Believe in the power of people to solve their own problems. Speak truth to power. And open your heart and mind to the lessons from the people in the communities you serve.

Gladys K. Washington is Deputy Director of the Mary Reynolds Babcock Foundation, previously was a program officer for the Coastal Community Foundation in Charleston, S.C., and was named James A. Joseph Lecturer by the Association of Black Foundation Executives.

KARL STAUBER: CHALLENGING CULTURE TO CHANGE CULTURE

By Karl Stauber

Let's begin this conversation with two framing factoids. In 1970, the median household income in Danville, Va., and surrounding counties was close to the state average. By 2015, Danville was half the Virginia median household income and surrounding counties were better, but still well below state numbers.

Also in Danville, if you drive south on Central Boulevard headed from the Dan River toward North Carolina, living a few blocks to your right will promise a healthy life expectancy of 66.6 years. Live a few blocks to the left and you have a healthy life expectancy of 48.7 years. That's a difference of 17.9 more years within just a few blocks. Similar patterns exist in Pittsylvania County, Va., and Caswell County, N.C.

The patterns reflected in these two factoids represent the results of community policies and practices as well as national and individual choices. We can't change the decisions we made in the past but we can change the present and the future using the knowledge that this is not who we want to be.

Danville Regional Foundation (DRF) was created in 2005 with the proceeds from the sale of the local nonprofit hospital. Working with a broad programmatic mandate, DRF's board decided to task the foundation with focusing on the economic and cultural transformation of this region in ways that grow prosperity for all.

With limited resources (a \$200 million endowment to start), how does a foundation help to change the present and the future in a region struggling with inequity, declining population and great needs? Where does it even begin?

From the start, DRF's board was aware of the "charity-to-philanthropy continuum." Simply put, charity is about reducing suffering while philanthropy is about reducing the causes of suffering. DRF decided to focus on the philanthropy end of the continuum, understanding many in the community expected us to function at the charity end.

DRF's strategy has been to: 1. Change the conversation, 2. Change who is in the conversation, 3. Change behavior, and 4. Then change the outcomes. At least half of DRF's annual grantmaking is responsive to unsolicited requests and an equal amount is foundation initiated toward strategic priorities, but all of our grants are made based on three criteria—need, opportunity, and impact.

In our grantmaking we look for several different approaches to Passing Gear philanthropy, and that is not by coincidence. MDC

worked with the Foundation's founding board to inculcate Passing Gear principles and build an initial vision for the foundation as an agent of regional transformation.

Before each grant meeting, our board members ask the following questions, which we call "key tests," knowing there is no certainty and all our work is a calculated risk:

- For short-term grants: does it build willingness to change, belief in progress?
- For long-term grants: does it build transformation in a critical sector?
- Does the effort expand ownership/belief in this being a place of opportunity?
- Does it demonstrate progress in a critical area?
- Does it increase cooperation/regionalism among key players?
- Should it be sustainable; is it?

Where the Passing Gear rubber meets the road

When I first arrived in Danville, I made a point of meeting with and talking to more than 100 people throughout the community. But there was always a subset of people who felt the sale of the hospital had betrayed them, and they were never willing to talk to me. With this in mind, one of our first board conversations was to point out that it's been my experience that people don't necessarily believe what you say, they believe what you do. If you want to have credibility, make sure what you say and what you do are the same thing. Too often I see examples of foundations saying they want a lot of community engagement, and even if they do, there's no evidence that it had any impact on the approaches they take.

There was a struggle within our community to understand the types of grants DRF wanted to make. We weren't going to decide to fund a project based on our personal feelings or associations. From the beginning, we've tried to be clear that all our grants are about need, opportunity, and impact. People at the charity end of the community are really focused on need. People at the philanthropic end should be more focused on impact and understanding how you track that impact.

Here's an example of how one charity request led to systemic



change. We asked ourselves what sets our community apart and makes us special. And virtually everyone said this is a great place to raise children. But if you look at the data, it may be a great place to raise children, but it's a lousy place to be a kid, especially if you're a low-income kid—and the data are compelling in that regard.

I got a call from a man who runs a daycare operation who said the state was going to shut him down if he didn't get his roof fixed. I asked what difference it would make if your roof were fixed. The state wouldn't be trying to shut me down, he said. But I asked if kids would be better educated and come to kindergarten better able to learn. And he said, sir, you don't get it, I'm trying to get my roof fixed and if I stay open, kids will be better off than if I close. I said if you can show me how kids will be demonstrably better off, we have something to talk about. He didn't, and we never made

the grant.

He was very unhappy and called a board member and said this new guy from Minnesota doesn't get it—you know how Yankees are (actually, I'm from Statesville, N.C.). He figured out another way to fix his roof, and he was never happy with us.

When the board member brought this up at our meeting and asked why we didn't fund it, I said my analysis was that if we gave him \$350,000, we would have temporarily solved his problem, but kids wouldn't be any better off, and that's too low a standard. Another board member asked what would you do to change the standard.

That was our opportunity to have the discussion about what became our Smart Beginnings initiative, which aims to strengthen the system of individuals and organizations educating and caring for children from birth to the age of eight. We used the opportunity to ask how we can make a significant investment in pre-K in a way that is really beneficial to low-income kids in our region. The board agreed that would be a great thing to do.

Early programmatic success was essential

This is a former mill town that experienced a lot of failure in the last 20 years. Since the community had such low self-esteem, and because bad news is much louder than good news, we realized that our first three or four initiatives of scale had to be very likely to succeed, because success is what gets people to believe in trying new things. We had to make sure they were consistent with what we were saying, and to get people on board, we had to convince them we could produce success. And choose your first bets carefully so they are consistent with what you are saying.

We're not experts in pre-K, and Passing Gear philanthropy calls for acknowledging what you don't know and being willing to partner with people who know a lot more and who align with your organization's values. We reached out to academics, nonprofits, and many others, and ended up building a relationship with the Virginia Early Childhood Foundation (VECF).

With strong support from the Foundation board, staff were directed to use up to \$100,000 to start the process. Our hope was that once we chose an organization to partner with and entered into an agreement with, we would have a plan with goals and metrics within six months. It took 2½ years. Part of the challenge was that the more diverse voices you have at the table, the more time it takes to put together a plan that everyone is willing to invest in. Getting people to move out of their self-interest and into a more collaborative mindset always takes longer than you think. That's why it's so important to have powerful community leaders at the table who are not affiliated with Head Start or public schools, but have an independent power base that helps legitimize what you're trying to do and encourages people with institutional interest not to leave the table.

And in the planning process, we needed to decide how we would measure success. Early on, we asked VECF to give us a metric that people in the community could understand and follow. We chose Virginia's standardized tests that look at the readiness of five-year-olds for kindergarten, which includes being able to stand in line, identify five colors and 10 letters, and know how to count.

We also used the Phonological Awareness Literacy Screening (PALS) scores, which measure literacy. After an 18-month planning process engaging a variety of community members, Smart Beginnings was formed and put forward an aggressive plan to improve kindergarten readiness.

The Foundation made a five-year commitment of \$5.4 million, and recently made a second, five-year commitment of \$3.4 million. At the same time, two things happened: the Smart Beginnings board hired a really good executive director, who was tough and a strong advocate for the children whom Smart Beginnings is designed to serve. She pushed institutions to change. Having a strong CEO meant making sure that both her board and the Foundation were standing strongly behind her. There were moments when other forces in the community were challenged by what Smart Beginnings was doing, and we did not fall into the trap of saying, “Let’s back off from that, we don’t want to make people unhappy.” You can’t do Passing Gear philanthropy if you’re not willing to take the heat. They now have raised about one-third of funding from other sources and run programs beyond the geography where they started—getting a grant from Kellogg, and working across other impoverished communities in Virginia.

It’s not just about whether the Foundation gets it, it’s about whether the community gets it.

It’s not just about whether the Foundation gets it, it’s about whether the community gets it. In about six years, we went from 31 percent of five-year-olds not ready to begin kindergarten down to 14 percent. And in reality, we won’t know the true success of the initiative for 15 more years, when these children are graduating high school. But these first sets of data gave the community real evidence that if you’re thoughtful, careful, and invest real resources—including your social, moral, and intellectual capital—you’re going to be successful. Using all five forms of capital is not only important for funders, it’s just as important for your lead partners. We made sure that the founding board of Smart Beginnings was the most racially diverse, politically powerful board we could create.

Deciding where to lead, where to follow, where not to go

That’s just one initiative. To address concerns in the community that we were an organization closed to smaller groups and projects, we created the “Make It Happen” initiative, in which smaller grants (up to \$25,000) are made based on a short letter to produce tangible progress in up to 180 days. DRF has made 103 “Make It Happen” grants over seven years totaling \$1,166,282 to proposals including community gardens created by neighborhood groups, public playgrounds built by churches, Eagle Scout projects, and little, free libraries. They’re about creating bright spots of progress and expanding community ownership of that progress.

And the community is catching on. In the beginning, we were having to push, to show the community what excellence looked like and help them see not only that it was possible for Danville, but that we could get there. Now, others are pulling us. And, like Danville, it’s a good place to be.

Philanthropy can be practiced by almost anyone in the region, not just the elites.

We were promoters and investors in downtown revitalization, and after taking most of the City Council to Greenville, S.C., in 2012 to “see the possible,” Danville’s downtown has grown from approximately 200 to 4,000 residents in six years, with public and nonprofit investments of over \$33 million and private investments of over \$200 million. The Foundation is making grants to fuel the growth of the River District, and we have created our own mission-related investment program that buys and repurposes properties in the area, combining mission and financial return.

Not everything we have tried has worked, nor has it worked as well as we had projected. But a critical part of Passing Gear is to reflect on what you learn and how you will do it better next time. Learning from our successes and failures has been a critical part of our journey.

We decided where we were going to lead, where we were willing to follow, and where we would not go because it didn’t match our mission, and tried to communicate these clearly. We also determined what broad strategies we would support; yet at the same time we tried to be flexible. With collaborative work, we had to work within these groups toward their goals and strategies without using our influence as “the funder” out of context. As funders, when we enter a conversation, heads often turn and partners ask, “What do you want us to do?” Being clear about what excellence looks like to us, and building that expectation of excellence—without mandating how it is achieved—is an important, and sometimes difficult, lesson.

And the community is catching on. In the beginning, we were having to push, to show the community what excellence looked like and help them see not only that it was possible for Danville, but that we could get there. Now, others are pulling us. And, like Danville, it’s a good place to be.

Karl Stauber is the founding President/CEO of the Danville Community Foundation, a former Under Secretary for Research, Education and Economics with the U.S. Department of Agriculture, and has worked for the Northwest Area Foundation, the Needmor Fund, and the Mary Reynolds Babcock Foundation.



JAMES A JOSEPH: MAKING HOPE AND HISTORY RHYME

By Ambassador James A. Joseph

Those of us who grew up in the South are pleased to see that foundations in the region are playing a major role in helping to build resilient communities. But as we look to the future, it would be a mistake to define community as simply a shared sense of place, when social cohesion is more likely to come from a shared sense of belonging. We find increasingly that when people feel they belong, with their traditions respected and their contributions honored, they are more likely to accept not just the benefits of citizenship but the obligations as well. A new middle class of color has emerged that has the potential for enlarging the resource for philanthropy. We need to identify and cultivate members of this group as part of the supply side of philanthropy rather than stereotyping them as only members of the demand side.

It is thus a good time for philanthropy to provide bold and imaginative leadership in making the case that equity and inclusion are in the self-interest of both the South and the nation at large. What some of us have long proclaimed as a moral imperative can now be portrayed as enlightened self-interest. The authors of the book *The Spirit Level* have documented how societies that are more equal almost always do better than less equal societies. In other words, there is now empirical evidence from comparative national research that inequality is socially corrosive, that it damages social relationships, and that measures of trust and cohesion are higher and violence lower in more equal societies.

Fulfilling the potential and promise of philanthropy will require that we make the case that diversity need not divide, that pluralism rightly understood and rightly practiced is a benefit and not a burden, and that the fear of difference is a fear of the future.

It is this widespread fear of the future that concerns me. If philanthropy is to help build a platform to a thriving tomorrow, we will need to better understand the problems and pathologies that now plague and divide us. Some psychologists call our time a period of free-floating anxiety. We have had moments of great anxiety before. 9/11 was such a moment. The assassinations of President John F. Kennedy and Dr. Martin Luther King were such moments. The devastation of hurricanes has been such a moment. But while assassinations, disasters and political disquiet have battered our soil and shaken our souls, the anxiety many feel is the result of a confluence of events rather than any single event.

It is thus a good time for philanthropy to provide bold and imaginative leadership in making the case that equity and inclusion are in the self-interest of both the South and the nation at large.

It is not just anxiety that plagues us. It is also alienation, with many people feeling disrespected, disconnected, and disempowered. It is adversity, with many experiences driving people to look for scapegoats rather than solutions. It is ambiguity, with many people wanting to believe that the issues are less complex and the solutions less limited than they are being told, so they are attracted to absolutes and reject notions of ambiguity.

And that is why organized philanthropy may need a new narrative to frame the discourse and guide our strategies for building and sustaining community. The framers of the American constitution reminded us that if we were to form a more perfect union we would have to establish justice, and if we were to ensure domestic tranquility we would have to promote the general welfare. They did not include people who look like me as full persons in their almost sacred document, but at least they had the language right.

The examples of imaginative philanthropy in this *State of the South* are encouraging, but too many of us find it easier to stand on the sidelines and simply lament the state of things. They are the ones who walk on the dark side of hope. Yet, while I worked in many difficult and dangerous places in the South, I still believe that the region has the potential to make hope and history rhyme. Philanthropy at its best provides not just help, but also hope. And as I like to say in every elevator speech, the gift of hope is as big a gift as the gift of life itself.

Ambassador James A. Joseph was U.S. Ambassador to South Africa under President Bill Clinton. He is President Emeritus of the Council on Foundations, Chairman Emeritus of MDC, and Emeritus Professor of the Practice of Public Policy at the Sanford School of Public Policy at Duke University.

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