Butler Family Fund | The First Ten Years

A FAMILY FOUNDATION WORKING FOR CHANGE

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LETTER FROM THE BOARD

When the board of the Butler Family Fund awarded its first program grants in the spring of 1994, the only thing certain was our intent. As the seven nieces and nephews of the late Zella and Jack Butler and stewards of the small foundation bearing their family name, we determined that our work should mirror the overarching principles of their lives: respect for all human beings, enhancement of individual opportunities, and a concern for the less fortunate of our society.

Ten years later, we are passing a milestone that is an opportunity for contemplation. After a decade of self-scrutiny, consensus-building and even a few periods of battle-scarred détente, we think we have something to celebrate in the grants we have made.

Few socially significant accomplishments occur in a vacuum, especially those that influence policy and benefit human lives. That is why we would like to share with you what we have learned. We hope that grantmakers of all stripes, even those with far different philanthropic program areas and much larger endowments than the $10 million we began with, can glean some insights that may help sharpen the focus of their own giving, or possibly develop a way to foster well-balanced family governance as they move their program areas forward.

Beyond the extraordinary largesse of our aunt and uncle, we have been extremely fortunate to have our board led by Alan Morrison, one of America's preeminent public interest lawyers and a tireless advocate for citizens' rights. As co-founder of the Public Citizen Litigation Group who has argued numerous landmark cases before the Supreme Court, he has been the principal organizer and keeper of our mission. As Alan puts it, "It's easy to give away money, but very difficult to give it away well. Over the past ten years, we have faced many challenges in deciding how to blend family and philanthropy, and how to evaluate grantees."

We are proud that as our work has unfolded, we have learned to articulate our values more clearly—and to recognize that how much we spend and what we spend it on must reflect those values. We think the process of shaping the Butler Family Fund has produced a template that other small family foundations could follow.

"We have learned that philanthropy is a marathon, not a sprint, and that has helped guide us in our long-term vision for the Butler Family Fund."

Some highlights of our process:

- We began with two program areas, but moved away from one of them when we realized our dollars could be more effective if we were more focused and directed toward an area with fewer funders.
- We debated our spending levels in a fluctuating economy and decided we could afford to raise them—and that it was the right thing to do.
- We acknowledged our responsibility to extend our reach beyond our grantmaking, and invested part of our assets in program-related investments and socially responsible funds. We also made a significant financial commitment to a pressing environmental issue.
- We grappled with the transfer of governance to our children, experimented with a limited addition of the second generation to the board, and when we concluded that the next generation brought valuable new insights and approaches to our philanthropy, decided to turn over control to them at the end of 2006.

We have learned a lot about who we are as family members. What we have learned has helped us identify the types of grants we hope can make the biggest difference.

This publication is an effort to distill some of our experience. We would like to share our answers to three interrelated questions which we think represent challenges faced by countless other foundations:

- How do our spending choices reflect our values?
- What grantmaking strategies make a small foundation effective?
- How can we balance focused grantmaking with family development?

We've highlighted a few brief examples of the important work of our grantees. If you want to learn more about them, please visit our website at www.butlerfamilyfund.org. We thank all of our grantees for guiding us along the way and for doing work that further clarifies our own role as catalysts for effective policy change. We still have much to learn, not only from our grantees, but from other foundations whose ideals are similar to our own. We hope you will share your reactions, insights, and ideas with us.

—The Board of the Butler Family Fund

REFLECTING OUR VALUES THROUGH OUR SPENDING

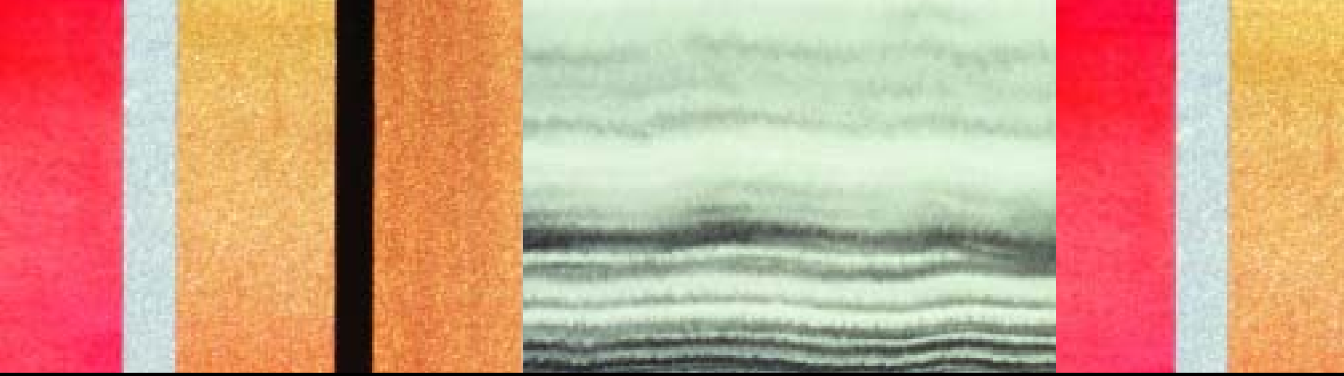
GETTING STARTED In 1992, when the $10 million Butler Family Fund was begun, it had no mandate of any kind from its donors, which was both liberating and daunting. Although its seven board members were committed to the betterment of society, there were no common interests that were obvious choices for our philanthropy. Moreover, none of us lived in the same community; we were spread between San Diego, California and London, England.

We found working with Nanette Falkenberg, a consultant, extremely helpful in examining and distilling a broad range of potential program areas. Our consultant convinced us that the best way to be effective was to limit ourselves to one or two program areas, and to become as knowledgeable as possible about them. Because our grants would be relatively small, we concluded that providing monies that could be leveraged into large-scale benefits, through mechanisms like start-up grants and ongoing advocacy projects, was our best strategy.

Our board chose to focus on two program areas: homelessness and at-risk youth. At the time, we felt that the burgeoning problem of homelessness was underfunded and not considered a high priority by many foundations. In addition, much of the support for vulnerable youth was being directed to the youngest end of the age spectrum through initiatives like early childhood education and health coverage. We felt adolescents and older teens were being overlooked in policy initiatives, and that this neglect could result in potentially grave consequences to these youth and to society as a whole.

Our next major decision was the unanimous conclusion that the Fund should have an executive director. We were very fortunate to hire Martha Toll in late 1993. Martha had practiced law and worked as a consultant to nonprofits and foundations before joining the Fund. She has always worked more than the initial part-time, and now three-fourths salary we've paid her. We also hired a twelve-hour per week program associate in 1995. Together our staff does all grant investigations and write-ups, although board members often make site visits. In addition to preparing the board agenda, the executive director spends considerable time looking for new ideas and grantees, and works with the funding community to inform other grantmakers about our projects. She keeps in regular contact with every board member, but especially with the president regarding all matters of significance.

Given limited funds and lean staffing, we have a policy of considering only invited grants during our twice yearly board meetings. Before those meetings, the president reviews every application, and board members receive a grants docket with a short cover memo for each grant. In addition, each



> “Our experience shows us that a small grant that helps an organization get started, or that launches a seemingly modest educational effort, can have enormous value in years to come.”

proposal is read in full by two board members to ensure further scrutiny. Board meetings are also used for board education; we bring in grantees and other speakers and conduct site visits during the meetings. Our average grant ranges from $15,000 to $25,000.

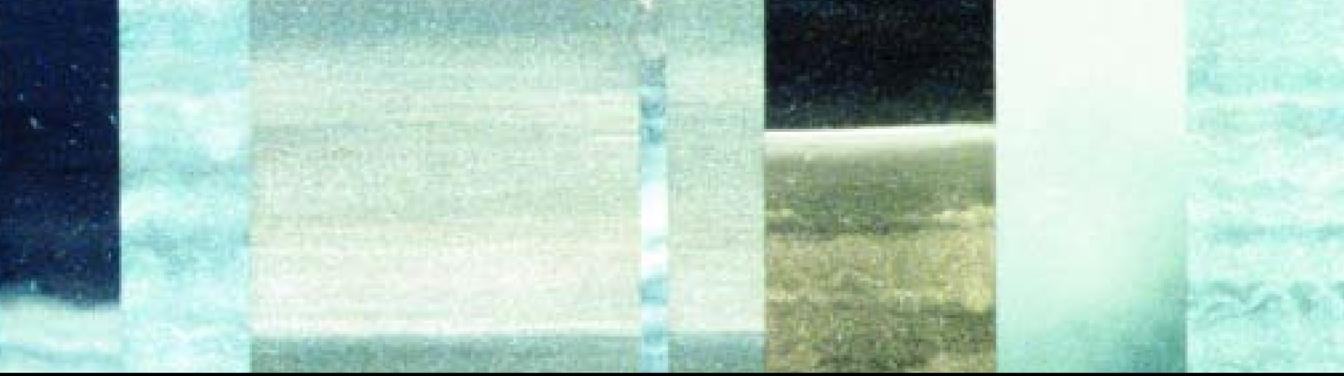
DETERMINING OUR SPENDING LEVELS Over time, we came to realize that both our levels of spending and what we spend our money on must reflect our values. In the spring of 1994, our assets were about $10 million and our annual grantmaking budget about $550,000—a little more than 5 percent of our asset base, the minimum spending level required by the Internal Revenue Code.

As the stock market rose and our understanding of the needs related to our chosen program areas deepened, we debated our spending levels. We concluded that we could do more if we were willing to spend more. Our board voted to raise our annual payout (including expenses) to 10 percent in 1998—double the rate for most foundations—raising our program grants to about $1.2 million per year. Even after the stock market downturn early in this decade, we reaffirmed our commitment to our grantees by continuing to spend at the same level, thus raising our payout to about 12 percent per year.

At the same time that we were debating our spending levels, we decided to invest $1 million in a socially responsible investment fund. We felt obligated to ensure that a significant portion of our money would be directed into stocks that echoed our own societal ideals. We worked with our financial consultant and found a firm that had developed reasonable purchasing screens for its investments. Finally, in order to provide additional support for our homelessness program, we decided to make some program related investments—in our case, no- or low-interest loans to organizations working in affordable housing. In late 1997 and early 1998, we awarded a total of $300,000 in program related investments to four entities involved in low-income housing which we rolled over when they came due in 2002 and 2003.

REFINING OUR FOCUS By 2001, we felt that it was time to re-evaluate our program areas. After much debate, we decided to move away from funding at-risk youth, which we concluded was not a well enough defined subject area. We also felt that the broad nexus of challenges and needs of at-risk youth called for a greater level of financial support than we could provide. We also were concerned that our lack of focus was diluting the effectiveness of our giving.

We chose to shift our second major grants area to the field of criminal justice reform—which for our purposes means death penalty reform, juvenile justice, and drug policy reform. We chose criminal



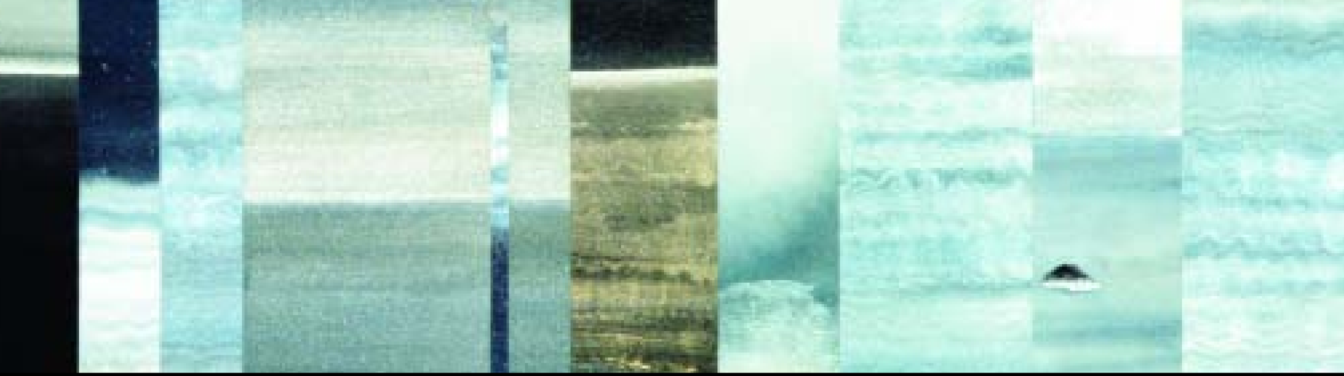
"We know that advocacy matters…It's a vital part of our grantmaking arsenal. Advocacy means fighting for policy changes that make our system fairer."

justice reform for several reasons. First, we felt it was underfunded, and that our kind of grantmaking could provide the catalyst for producing policy reform and stimulating public awareness. Next, many of the same people who are either homeless, or at risk of becoming homeless, cycle in and out of the criminal justice system. Finally, we believed that many of the nation's at-risk youth face a series of obstacles and impediments that more often than not lead them directly into the criminal justice system. We felt we could continue to provide indirect support to that group by addressing criminal justice reform. We hoped our efforts would lead to programs and reforms that might help prevent people from shifting between the homeless and criminal justice systems, instead of moving toward independence.

At the same time, we decided to spend $100,000 per year to combat global warming, which is a potential danger for everyone on the planet. The decision further symbolized our desire to expand our scope and to acknowledge the need for compromise within a group of board members with passionate beliefs and interests in various causes.

DECLARING OUR VALUES After a decade of involvement in philanthropic giving, we have been able to develop a robust statement of the values that define the Butler Family Fund. We do not accept that the wealthiest country in the world must continue to have a homeless population, let alone one that is as seemingly intractable as ours. And we do not accept prison as a substitute for treating mental illness and drug addiction, nor should it be an alternative to housing.

The United States should not be a country where juveniles and innocent people are executed. Nor should this be a place where our criminal justice system is severely skewed against people of color. We believe in a government that supports the production of housing for all, that offers disadvantaged young people hope and possibility rather than a life-long relationship with the criminal justice system. Our vision is of a world where being poor does not mean having to choose between housing and food, and where *everyone* can have faith in our system of justice.



EFFECTIVE GRANTMAKING FOR SMALL FOUNDATIONS: STRIVING TO MAKE A DIFFERENCE

The defining question for small foundations is this: *In the vast realm of philanthropic giving, how can we make a difference?*

At the Butler Family Fund, some answers have become clear. First, we know that small grants can leverage large public dollars. Even in tough economic times, the public sector is still the most important financial player in the low-income housing market. Our primary focus on homelessness has been to work to increase the supply of permanent housing for homeless people, for which government investment in must be part of the solution. For this reason, we have supported local, regional, and national efforts to increase public resources for low-income housing.

Second, we know that advocacy matters. In our view, organizations engaged in advocacy should be embraced, not avoided. A vital part of our grantmaking arsenal, advocacy means fighting for policy changes that make our system more fair. We have seen the dramatic impact that our grantees and others have had when they shine a spotlight on unacceptable policies and work to change them. Our grantees have launched successful public awareness and education campaigns surrounding issues like the death penalty and drug policy reform.

We also acknowledge that the rewards of advocacy are difficult and in some cases, impossible, to measure. We recognize the need to make long-term commitments to funding advocacy, even when results are not immediately quantifiable and when inevitable setbacks occur. We have learned that in the long run, the impact of positive policy changes make it worth the wait.

Third, we take risks in our willingness to spend more than the law requires. Even spending at this rate, however, we still had over $13 million in assets at the end of 2003 as the result of successful investment management. We also take risks in our grantmaking by investing in promising people and programs whose visionary strategies make sense, even if they have not yet produced a substantial policy impact. Our experience shows us that a small grant that helps an organization get started, or that launches a seemingly modest educational effort, can have enormous value in the years to come.

It has been our privilege to meet and support community leaders with dynamic ideas, boundless energy, and dogged commitment. Here are just a few of the organizations we've supported:

Southern California Association of Non-Profit Housing In the late 1980's, the Southern California Association of Non-Profit Housing (SCANPH) formed as an umbrella organization for the flourishing Community Development Corporation (CDC) movement in that state. Today, 140 CDCs in five

Southern California counties build, manage, and preserve affordable housing in largely low-income communities, and provide other diverse services. SCANPH estimates that 60,000 housing units have been built since the coalition was formed.

In 1999, the Fund awarded $20,000 to SCANPH to help launch "Housing L.A.," a campaign to create an affordable housing trust fund. Trust funds capture public revenues from dedicated funding sources—for example, taxes or fees associated with real estate transactions—to support investment in a broad range of housing activities. SCANPH used our grant to attract additional grant dollars, citing us as a national funder willing to take a risk. In 2002, Los Angeles Mayor James K. Hahn signed a $100 million annual housing trust fund into law, making it the largest municipal fund of its kind. To date, SCANPH estimates that 2,500 new affordable housing units have been built through this fund.

Chattanooga Homeless Coalition/City of Chattanooga The Chattanooga Homeless Coalition and the City of Chattanooga were in discussions to develop a ten year plan to end homelessness. A Butler Family Fund grant of $20,000 in 2003 leveraged $50,000 from the city and $15,000 from the county. With this money, the Coalition and the Mayor's office developed a blueprint to end homelessness in their community in ten years, so that the chronically homeless—including people with serious mental illness and other disabilities—could be moved from the streets to permanent housing with intensive mental health and other services in their homes. In late 2003, the federal government awarded $2.2 million to support this effort.

StandDown Texas Since the death penalty was revived in 1976, more than one-third of all executions in the United States have occurred in Texas. Advocates say that the Texas criminal justice system is fraught with some of the most egregious abuses in the application of the death penalty anywhere.

StandDown Texas focuses its advocacy on public education about systemic problems with the death penalty in Texas. With a $75,000 annual budget, including $20,000 grants from the Fund in 2002 and 2003, StandDown has produced projects such as a religious curriculum about death penalty issues, used by faith-based social advocacy organizations and the Baptist General Convention of Texas. StandDown's advocates also have met extensively with newspaper editorial boards and have worked closely with the Texas State Bar.

So far, the group's efforts have yielded encouraging results. More frequently, Texans are beginning to call for justice system reforms. For example, in a poll taken during the spring of 2003, 69 percent of those surveyed believed that the state has executed innocent people—an increase of 12 percent since the question was asked in 2000. The poll also showed that 41 percent believed the state should have a moratorium on executions, more than twice the percentage who oppose capital punishment.

Corporation for Supportive Housing In 1991, the Corporation for Supportive Housing (CSH) was launched as a direct result of research into philanthropy's role in responding to America's growing homeless population. Its founders realized that it takes more than bricks and mortar to respond to the needs of the homeless. CSH vowed to help strengthen the "supportive housing movement," providing

whatever it takes, ranging from child care to job training to mental health services and substance abuse treatment, as an integral part of permanent housing for the chronically homeless.

CSH works to make it easier to create and operate supportive housing. In the late 1990s, with small grants to support its Washington advocacy program, CSH organized a coalition to focus on the segment of the federal housing budget that helps pay to develop supportive housing (Shelter Plus Care). In large part due to CSH's advocacy, partially funded by our grants of $55,000 made between 2000 and 2003, $600 million new dollars for permanent supportive housing have been added to the federal budget (which translates into 30,000 housing units) since federal fiscal year 2000.

ACLU Drug Policy Litigation Project America's so-called "War on Drugs" has created significant collateral damage along the way. Using litigation, the ACLU Project documents the targeting of low-level drug dealers and the willful fabrication of evidence as national system-wide problems. It also educates the public on how the War on Drugs is yet another chapter in America's history of racial oppression.

Our investment of $40,000 to date in the Project has had a multiplier effect: our dollars support litigation that can affect system-wide change and serve to educate the public on the many inequities of the War on Drugs.

Center for Community Change In 1996, when President Clinton signed into law sweeping changes to welfare, advocates for the poor were alarmed not only at ending welfare as an entitlement, but by the many other punitive measures in the legislation. The Center for Community Change in Washington is an umbrella organization for scores of groups that saw the need for an immediate response.

Initially, the Butler Family Fund gave the Center seed money for a campaign to bring together low-income grassroots groups, organizing networks, civil rights organizations, faith-based groups, organized labor, women's organizations, immigrant groups, and other allies into a national mobilization on jobs and welfare issues. Subsequently, we gave nearly $400,000 over five years to support the work of Center-affiliated groups whose primary goals were giving voice to the people personally affected by welfare law changes. Our funds helped bring grassroots activists to Washington to testify before Congress. They helped train community activists as press spokespersons and taught them how to craft op-ed columns.

By 2003, these entities had been instrumental in achieving the following important programs that softened the impact of the welfare law changes: $750 million from the federal government for the Job Access and Reverse Commute program (so people could get to the jobs they were required to have); a competitive grants program that funds local projects to connect low-wage workers and welfare recipients to otherwise inaccessible job opportunities; increasing accountability to the community by federal and local governments around transportation issues; a new tax benefit for low-income families; structural changes in the food stamp program, including restoration of benefits to tens of thousands of immigrant households; and framing a progressive agenda for welfare reauthorization that gained bipartisan support.

THE FAMILY BOARD: BALANCING FAMILY DEVELOPMENT WITH FOCUSED GRANTMAKING

Family-directed philanthropy can be both rewarding and complicated. Board members walk a fine line between focusing on the greater community's needs and fostering a constructive working atmosphere among themselves. As important as we consider our record of strategic grantmaking, we are equally pleased by our success in combining that effort with the challenge of nurturing the growth and development of our extended family.

When the Butler Family Fund was started in 1992, the original board members—all first cousins, none of whom was the source of the funding—lived in seven places, as much as 6,000 miles apart. We were in our 50's and 60's, and we realized that the last time we had all been together was in 1948 at the eldest cousin's wedding.

"This has been a wonderful way to get to know each other and to appreciate what an extraordinary opportunity we have been given," says board member John Hirsch, a retired attorney who also founded Big Brothers/Big Sisters of Metropolitan Chicago in 1967. "While we have waged some pretty heated battles, we have always kept the family's integrity and our philanthropic goals paramount."

Sharing a common branch on an ancestral tree, however, does not make it any easier for board members to forego passionate interests in various issues—some of which involved their local communities. To respond to these concerns, we decided to create a system under which our board members, who are unpaid, have discretion over modest amounts of money each year, subject to board approval, for making grants to organizations involved in issues that may be outside our program areas.

This system of discretionary grants gave recognition to the varied interests of board members and eased the process of producing consensus for our primary program areas. It also has meant, however, that we have had less money to spend on program grants. We continue to debate the notion of a discretionary grant system, including the amounts directed by individual board members each year.

In addition to limiting our program subject areas, the Fund chose to focus its local grantmaking mainly where its board members reside and to fund some national programs. This decision has also made board members available for site visits to local grantees, which has provided both an additional sense of responsibility and insights into our grantmaking, and lessened the travel burden for our executive director.

The family faced an even bigger, challenge, however. Many of the seventeen members of the second generation, whose age range spans almost thirty years, had either never met or had not seen each

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other in years. We didn’t know whether they would be interested or had the time to be responsible board members. We decided to introduce them to the Fund’s operation in a way that engaged them and also fostered intergenerational cooperation.

We developed a plan that we believe addressed these challenges. Members of the second generation currently serve rotating terms on the board—generally in groups of three—for three-year periods. Younger board members enjoy virtually full rights during that period. To qualify for board service, members of the younger generation must have attended at least one full board meeting. New board members also are given training before joining. To stay abreast of board activity once their term is up, younger family members may attend one board meeting a year at the expense of the Fund. Unquestionably, the mix of generations has broadened our thinking and significantly improved both our grantmaking as well as other decisions.

In November 2003, the board voted to turn over control of the board to the younger generation in December of 2006, when the third three-year cycle of younger members is completed. Our president, Alan Morrison, will step aside, and the eldest member of the second generation, Eve Binswanger Wildrick, has been chosen to succeed him. Some members of the original board will remain, at least for a time. But the passing of the torch will take place, though the details remain to be decided. They include the size of the new board and terms of office, since there are more potential board members than there are places on the board.

As president of her own Philadelphia interior design firm, Eve had served on many boards, but never for a family foundation. When she considered taking the reins of the foundation, Wildrick relished the opportunity to influence the Fund’s focus. “With a new generation of board members, change will be inevitable. However, the change will be gradual and the process inclusive. We will again clarify the group’s values, while keeping the Fund financially stable and keeping the second generation engaged and interested in philanthropy.”

For Jennifer Gravin, an executive assistant from Los Angeles, being introduced to the board has ignited a passion for non-profits and the work they do in communities nationwide. “It has had such a tremendous impact on how I look at social issues and how I want to use my life to be of service.” Jennifer, whose father Larry has spurred the board’s grantmaking on environmental issues, says that while she looks forward to helping the Fund evolve, she hopes the foundation will never change its involvement in the homelessness issue. “Our work in this field has the potential to affect so many

people's minds about the causes of homelessness. People have moved from ignorance and blaming to understanding the need to get involved."

We celebrate the next generation's engagement in the operation of the Fund, recognizing that their judgment and skills will have a positive impact on the evolution of the Fund. We do not want to lose the input and participation of our senior board members, however, and will likely institute a rotation system that will allow some of them to continue to attend meetings at least for the immediate future. We consider this blending of old and new an essential ingredient for successful family philanthropy.

IN CONCLUSION

We look back on our first ten years of grantmaking with both pride and sober analysis. We have enjoyed watching our grants support successful initiatives, yet acknowledge the inevitability of less than ideal outcomes from some of them. We have learned that trying to quantify the effect of philanthropy on public policy is very difficult. This is especially true in the realm of advocacy, but we have concluded that it is important to continue to nurture the presence of organizations equipped to apply pressure on policy makers, both to prevent a rollback of progress and to advance new approaches to persistent problems.

We are confident that we have filled a niche that is often overlooked by larger foundations. Our grants may be small, but they are a meaningful part of our long-term commitment to create a more just and humane society.

On the family side, the benefits have been manifold. The first generation connected in a way we never could have envisioned. Through working in a collective enterprise, in which we shared a common goal, we have developed a newfound respect for our combined experiences, and we have learned the invaluable skill of conciliatory cooperation. But our greatest triumph has been in bringing together two generations, most of whom were actual or virtual strangers, and being prescient enough to pass the gift of philanthropy on to our children. Not only do they understand their charitable responsibilities, but they are as eager to embrace them and their extended families as we, their parents, were.

This is a blessing that none of us ever expected to have. For this and so much else, we are eternally grateful to Zella and Jack Butler, our aunt and uncle, who made this venture possible. We know that their spirit is guiding us as we work together as a family, sharing the endowment with which we have been entrusted with the less fortunate in our society.

Featured organizations

Southern California Association of Non-Profit Housing
www.scanph.org

Chattanooga Homeless Coalition/City of Chattanooga
www.homelesscoalition.org

StandDown Texas
www.standdown.org

Corporation for Supportive Housing
www.csh.org

ACLU Drug Policy Litigation Project;
www.aclu.org

Center for Community Change;
www.communitychange.org

Credits

We would like to thank Rachel Jones for her thoughtful writing and editing.

We are also grateful to Alex Hirsch, a member of the board of directors, whose watercolor paintings appear throughout this publication. Please visit Ms. Hirsch's website www.AlexHirschArt.com.

Images

Front and back covers:
Syncopation in Grey and Pink, 2002 (detail)
Pages 2–3: *Red, Yellow, Black*, 2001 (detail)
Pages 4–5: *Hot Orchid*, 2003 (detail)
Pages 6–7: *Open Source*, 2003 (detail)
Pages 8–9: Center for Community Change
Pages 10–11: *Syncopation in Grey and Pink*, 2002 (detail)
Page 12: *Opus III*, 2003 (detail)

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