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The Role of Foundations in Shaping Social Welfare Policy and Services: The Case of Welfare Reform

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Foundations play a key but often overlooked role in influencing and implementing social welfare policy. They shape knowledge and preferences for policy solutions by funding specific kinds of research, driving community development initiatives, and supporting selected forms of social services. Strategic involvement and monitoring of public policy debates and thoughtful responses to policy changes are crucial for them to meet their goals in a changing environment. This is especially important in areas of social welfare in which government is heavily involved. In this chapter we use the case of the 1996 welfare reform legislation to explore the charitable (that is, giving to those in need) and philanthropic (that is, giving to spur innovation and social change) orientations of foundations before, during, and after this major policy change. Comparing how foundations adopted these two roles also sheds light on how foundations leverage their comparative advantages as social entrepreneurs, institution builders, mediators, and risk absorbers in the field of social welfare.¹

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1. Chapter 1, this volume.

The charitable and philanthropic roles of foundations in the United States are well illustrated in the case of welfare reform because this ideologically charged policy change explicitly juxtaposed the two approaches to serving society. The welfare debate involved overt public discussion of the role of cash assistance, including the question of whether it was a vital safety net, a handout to lazy parents, or a potential tool to foster self-sufficiency in troubled families. How foundations responded to this discussion and intervened in the process reveals how they saw their own role in shaping and supporting social welfare policy and services.

Welfare Reform

The 1996 welfare reform legislation, formally known as the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, was the largest U.S. social policy shift in decades and was years in the making. Efforts to reform welfare (then known as Aid to Families with Dependent Children, or AFDC) with an emphasis on work participation began during the Nixon administration and accelerated during the 1980s, notably with the Family Support Act of 1988. During this time, research on poverty and its causes and consequences was also growing rapidly.²

The 1996 law abolished AFDC and replaced it with Temporary Assistance for Needy Families (TANF) block grants. This changed welfare from an entitlement program to a work program and devolved responsibility for welfare from the federal government to the states. The most significant changes in the welfare law were lifetime limits on welfare receipt and work requirements for all recipients, generally sixty months of total lifetime aid, and the full-time participation in work or educational activities in order to receive aid. States were allowed wide leeway in how they structured their programs and were also encouraged to be more restrictive by augmenting federal regulations through the implementation of sanctions, family caps, and the denial of benefits to adolescent parents.

The policy resulted in a large outcry from the left, as well as from many social science researchers and policy experts, who worried that it was overly punitive, would negatively affect the well-being of vulnerable children in particular, and did not recognize the struggles of many poor families who cycled on and off welfare or mixed welfare with work.³ Another concern was that the time limits were not sensitive to the multiple barriers to work that many families on welfare faced, such as lack of work experience, education, and consistent child care, as well as transportation problems, violence in the home, illness, and substance abuse.⁴

2. Weaver (2000).

3. Duncan and Brooks-Gunn (2000); Hershey and Pavetti (1997).

4. Danziger and Seefeldt (2003).

Over time, welfare reform did prove to be successful at moving families off the welfare rolls, but it was not so successful in raising families out of poverty.⁵

The Role of Foundations in Welfare Reform

Given the significance of welfare policy in the lives of low-income children and families, it is important to understand the role foundations have played in both shaping and responding to this policy change. It is always difficult, however, to ascertain the roles actors play within an institutional context. One approach is to look at the motivation or purpose behind foundations' actions by using narratives and firsthand accounts to infer the rationales behind foundation grants or other actions. The other is to observe their behavior and then try to infer motivation or purpose. Neither approach is totally adequate, so in this research we pursue both strategies. In the first section we present quantitative data on foundations' funding patterns both before and after welfare reform, looking at differences in giving trends over time and among foundations. In the second section we present archival evidence gleaned from annual reports, looking at how foundations discussed and framed their work at the time.

In discussing the work of foundations, we pay special attention to the issues of philanthropic versus charitable orientation, ideology, and framing. First, knowing whether foundations played a charitable or philanthropic role during the welfare reform era helps us understand their approach to social change. By assuming a charitable role, foundations provide public benefit by helping the needy or disadvantaged, alleviating suffering, and providing services that government cannot or will not provide. Foundations that take a charitable orientation to giving often serve as risk absorbers and mediators. Examples of this behavior include giving to social service programs, highlighting the need to maintain safety net services, funding niche services, and supporting programs that ease the transition of former welfare recipients returning to work.

Foundations assume a philanthropic orientation when they experiment with new programs, develop new models of service, fund needed research, and push policymakers to implement policy change. This orientation takes advantage of the fact that foundations can take risks that government cannot because they are accountable only to their boards of directors and they have permanent, independent sources of revenue. This allows them unparalleled freedom to express individual and organizational preferences through their giving choices and considerable power in bringing attention to new ideas, service technologies, or organizations. Foundations that take a philanthropic orientation to giving often act

5. Corcoran and others (2000).

as social entrepreneurs or institution builders. Knowing whether foundations assumed a primarily charitable or philanthropic orientation and how they carried out those different roles is key to helping us understand the unique contributions foundations made in the policy reform process.

Second, it is also important to understand how these orientations and roles may differ depending on the ideology of the foundation. Scholars have argued that conservative foundations have played an important role in sparking social change over the past forty years or so through careful organization, coordinated giving, and funding of specific conservative institutions.⁶ Strategic giving to a network of increasingly influential conservative think tanks like the Heritage Foundation and the American Enterprise Institute has been a key part of this effort. The reports and monographs these think tanks have produced, and their related media campaigns, have been extraordinarily successful in reframing how specific social problems are understood as well as what should be done about them.⁷ This leads us to expect that conservative foundations would assume a mostly philanthropic role around the issue of welfare reform. In contrast, centrist and progressive foundations may have had a more mixed orientation, playing roles associated with both philanthropy and charity, by attempting to balance traditional notions of providing for those in need while working to ensure that new service models and policies were reflective of their ideological preferences. Discovering how different kinds of foundations approached their work will reveal important information about systematic variation in the field and how ideology may mediate the way foundations conceptualize both roles and impact.

Finally, the statements that foundations make about their giving in their annual reports play a dual role. They reflect organizational values and provide indications of how the foundation wants to be seen in the larger funding community. More important for the policy process, however, these statements are also attempts to influence policy decisions by framing the debate in ways foundations expect will resonate with their supporters and help sway policymakers. Foundations reinforce certain ways of conceptualizing the problem and possible solutions by providing different rationales for their giving. For example, framing the welfare debate as a problem of dependency emphasizes a very different set of solutions than framing it as a problem of barriers to employment. In the archival findings section of this chapter we investigate the values and norms foundations of different ideologies were trying to appeal to when invoking different frames in the rationale for their giving.⁸

6. Rich (2004); Covington (1997); Miller (2006); O'Connor (2007).

7. Rich (2004); Stefancic and Delgado (1996).

8. Benford and Snow (2000).

Evidence from Quantitative Data

Quantitative data on what activities foundations gave to, how much they gave, and how that changed over time helps us see broadly what roles foundations played during the welfare reform era and how that differed by foundation ideology. Looking at overall patterns of giving also sheds light on the way the foundation sector as a whole conceptualized both responsibility and opportunity in the welfare reform era and thus how they impacted society during this time. For this reason, before delving into how foundations framed their giving and the intention behind it, we look at the overall giving patterns of foundations by presenting aggregate amounts of funding given nationally for specific activities relevant to welfare reform from 1995 to 2001. We use data from the period before 1997 to see whether funding patterns changed before and after the legislation. We stop at 2001 because the events of 9/11 and the subsequent recession were important exogenous shocks to the foundation world that disrupted business as usual.

Data, Sample, and Methodology

These analyses were done using data procured from the Foundation Center, an infrastructure organization supported by foundations.⁹ Each year the Foundation Center compiles information from one thousand of the largest private and community foundations in the United States. The annual data set includes information on each grant of more than \$10,000 given by the selected foundations in that year. Although it does not provide a full representation of grant-making activities in the United States, it is the largest database of its kind and accounts for about half of the total dollars given by foundations in the United States each year. The information in the Foundation Center's data file is organized by grant and includes the National Taxonomy of Exempt Entities (NTEE) classification system codes describing the activities of the recipient organization and the grant's purpose, among other things.

Two samples are used in this analysis. First, we use the full national data set to investigate the activities of foundations broadly. Second, to explore the effect of ideology and to corroborate our findings with the archival annual report data, we chose a purposive sample of fourteen major foundations to investigate more closely. The fourteen foundations were not chosen at random and thus should not be considered representative of foundations as a whole. We had a particular interest in larger foundations with significant assets that have a history of engaging with public policy or are widely considered to be important and trendsetting. Our rationale for choosing these foundations was that they would be most

9. The data are proprietary and were provided by the Foundation Center to the Center for Civil Society at the University of California at Los Angeles for this study.

likely to act and have the capacity to make an impact. The financial and cultural capital of the selected foundations positioned them to be meaningful players in the debate.

We also specifically chose foundations that reflected a variety of centrist, progressive, and conservative viewpoints. Foundation ideology is an important variable to explore in this case because of the highly charged debate surrounding welfare and how best to reform it. Foundations were categorized as progressive, centrist, or conservative based on statements found in the foundations' annual reports and how they have been categorized in prior research.¹⁰ For example, foundations espousing support for individual liberties and traditional values were classified as conservative, and foundations calling for greater public investment in reducing inequality or promoting social justice were classified as progressive. Foundations that were not clearly identified as belonging to one side or the other were classified as centrist, but it should be noted that ideology is not naturally categorical and the centrist group is highly heterogeneous. For example, the Ford Foundation is close to the progressive group and the Lilly Endowment is close to the conservative group, but both are coded as centrists. Of the fourteen foundations selected for inclusion in the study, the Annie E. Casey Foundation, the Joyce Foundation, the McKnight Foundation, the Open Society Institute, and the Charles Stewart Mott Foundation were identified as progressive; the Ford Foundation, the Lilly Endowment, the Andrew W. Mellon Foundation, the Pew Charitable Trusts, and the Russell Sage Foundation as centrist; and the Lynde and Harry Bradley Foundation, the Sarah Scaife Foundation, the Smith Richardson Foundation, and the John M. Olin Foundation as conservative.

We looked at giving patterns in five specific areas relevant to welfare reform. An analysis of giving in these five areas can tell us whether foundations were more concerned about workforce development, such as preparing former welfare recipients to take part in full-time paid work; maintaining the safety net through support of emergency assistance programs; work supports like day care for children; social services, such as family services to adolescent parents; or research on poverty and welfare policy. Since we were interested only in grants to these five areas, we used the NTEE codes to define each general funding area and to select the specific grants of interest from the larger grants data file.

Workforce development. New work requirements were the most dramatic change of welfare reform. All recipients of cash assistance were required to participate in work-related activities to maintain their eligibility. Ensuring that recipients complied with these requirements was vital to reform. This meant training former welfare recipients and finding jobs for them. The NTEE codes

10. Covington (1997); Rich (2004); O'Connor (2007).

selected were J20 (Employment procurement assistance and job training), J21 (Vocational counseling, guidance, and testing), J22 (Vocational employment training), and J23 (Retraining program).

Safety net. Many scholars and activists were concerned that with welfare no longer an entitlement program, the lack of a safety net would throw some families into abject poverty and thus create a greater need for emergency assistance and food programs. The NTEE codes selected were K30 (Food service/Free food distribution), K31 (Food banks and pantries), K33 (Commodity distribution services), K34 (Congregate meals), K35 (Eatery, agency/organization sponsored [for example, soup kitchens]), P24 (Salvation Army), and P60 (Emergency assistance [food, clothing, cash]).

Child day care. Despite increased federal subsidies, the new work requirements left many mothers with no place to leave their children during the day. Lack of access to quality, affordable day care is a major barrier to work, decreasing labor force participation and number of hours worked.¹¹ The NTEE code selected was P33 (Child day care).

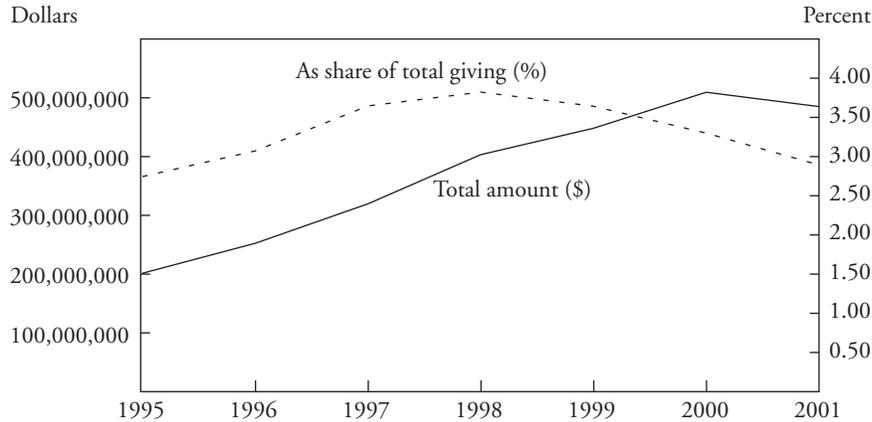
Family services to adolescent parents and pregnancy prevention. A major goal of the legislation for conservative policymakers was reducing the number of children born outside of marriage, particularly the teenage pregnancy rate. The 1996 act allowed states to set special rules for adolescent parents to discourage adolescent pregnancies. Most frequently, they had to stay in school and live at home to receive benefits. The NTEE codes selected were P35 (Prevention of adolescent pregnancy) and P45 (Family services for adolescent parents).

Research on welfare reform policies and poverty. Major demonstration programs took off in a variety of states both before and after the 1996 act, reflecting increased interest in the conditions of the poor in America, including the role of welfare in their lives. Findings from these projects gave direction to lawmakers, advocates, and administrators during the policy formulation phase, and research on the implications of welfare reform continued after the law was passed. The NTEE codes selected were V39 (Poverty research/studies) and W21 (Welfare policy and reform).

Giving in each area implies a slightly different role for foundations. Funding for workforce development, child day care, and family services to adolescent parents and adolescent pregnancy prevention could reflect either a charitable or a philanthropic orientation, depending on the purpose of the grant. For example, it would be philanthropic if the grant supported an innovative new jobs program but would reflect a charitable orientation if it funded the opening of a new day care center in a low-income area. Safety net funding is clearly a charitable

11. Meyers, Heintze, and Wolf (2002).

Figure 9-1. *Giving to Welfare Reform Activities by 1,000 Largest Foundations, 1957–2001*



Source: Data from Foundation Center Statistical Database 2001.

risk absorber response, while funding research clearly reflects a philanthropic orientation.

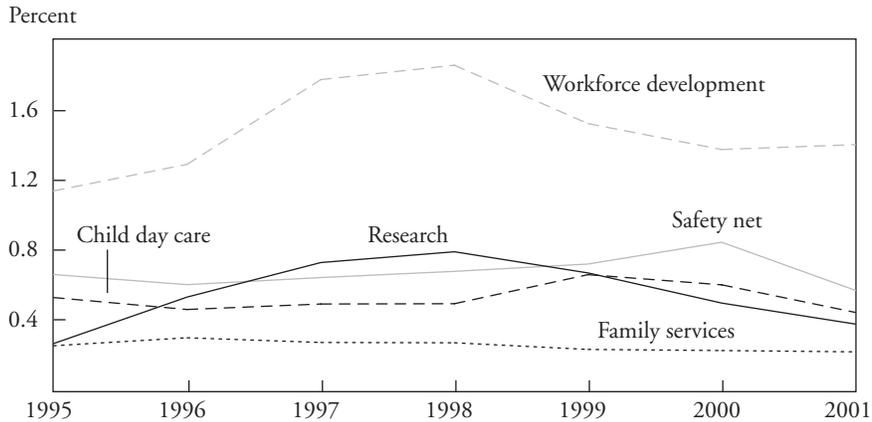
In the Foundation Center data set, grants can receive up to five NTEE codes. Because we wanted to tally the dollar amounts by general funding area, if the Foundation Center coded the grant using any of the codes listed for a general funding area we recoded it as going to that funding area, and the dollar amount was assigned to that activity.¹² All data are presented in 2001 constant dollars, and the inflator is the average consumer price index for urban consumers for a given year.

Trends in Giving Patterns

Figure 9-1 shows the giving patterns of the one thousand largest private and community foundations each year from 1995 to 2001. In terms of the total amount of dollars given, the chart shows that giving to the five areas began increasing immediately following passage of the welfare reform bill of 1996 and did not tail off until 2000. The line showing the amount as a percentage of total

12. Sometimes the grant was assigned codes from two different general areas; for example, a grant might be coded as research on poverty (V39) and as related to job training (J21). When this happened, we assigned the grant amount to both of the general categories, for example, workforce development and research on welfare reform policies and poverty. Thus the grant was double counted in the charts showing giving to the five areas. However, double counting is not present in figure 9-1, where the five areas are summed.

Figure 9-2. *Giving to Specific Welfare Reform Activities as a Share of Total Giving, by 1,000 Largest Foundations, 1995–2001*



Source: Data from Foundation Center Statistical Database 2001.

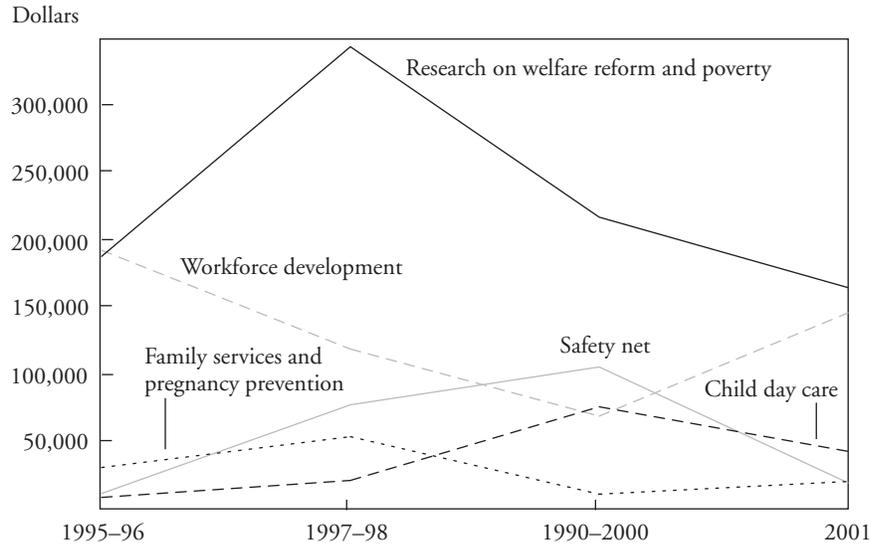
grant making, however, is more revealing. This chart indicates that while the total dollars given may have been rising, foundations started turning away from welfare reform funding as early as 1998, decreasing the percentage of their giving in these areas in comparison with their giving to other areas.

Figure 9-2 shows the percentage of total giving that went to each of the five areas. Overall, foundations gave the highest percentage of their welfare reform dollars to workforce development programs, with a large increase in giving in the years 1997 and 1998. Giving to research followed a similar pattern, with a boost in giving from 1996 to 1998. Thus it seems that foundations played a primarily philanthropic role by supporting research for policymaking, tracking the outcomes of policy change, and smoothing the transition by supporting workforce development.

To explore how ideological differences among foundations might have affected the areas to which funding was primarily directed, figures 9-3, 9-4, and 9-5 show the average amounts given to each welfare-related giving area by type of foundation, using the purposive sample of fourteen major foundations.¹³ The most obvious finding is the relatively small amount of money given to all five areas by the conservative foundations during this period. For example, the average annual amount given by the ten progressive and centrist foundations to welfare

13. We took the total amounts given by foundations of a particular type over a two-year period and divided that by double the number of foundations in each category. For 2001 we divided simply by the number of foundations for which we had data.

Figure 9-3. *Average Giving by Conservative Foundations to Welfare Reform Activities, 1995–2001*

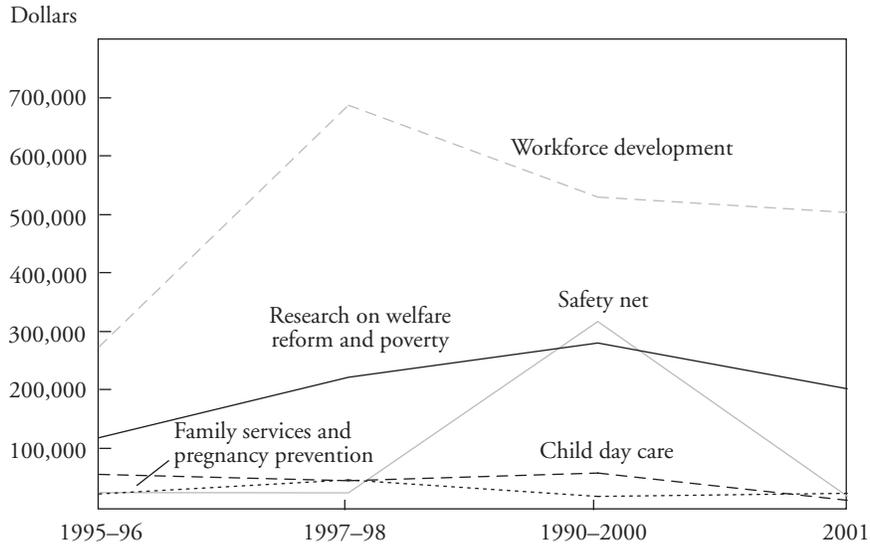


Source: Data from Foundation Center Statistical Database 2001.

reform activities in 1997–98 was \$9.8 million, while the average annual amount given by the three conservative foundations was \$546,000. This disparity is evident throughout the study period. It is important to note that many of the centrist and progressive foundations we studied were among the twenty-five largest foundations in the country. While the conservative foundations we studied were chosen for their prominence, conservative foundations on the whole tend to be much smaller. The smaller asset size and giving of the conservative foundations is crucial to understanding the overall implications of these data. Finally, these foundations frequently gave grants for general operating support, which would not have been coded as welfare reform giving, although it is extremely likely that these funds would have been used for welfare-related research and publications by influential think tanks like the Heritage Foundation during this era.

Despite the smaller size of their grant making overall, a comparison of figures 9-3, 9-4, and 9-5 suggests conservative foundations spent a much larger percentage of their welfare-related funding on research than the other two types of foundations. Although the absolute dollar amounts were smaller in size, in 1995–96 they spent 53 percent of their welfare-related grants on research as against about 32 percent for progressive foundations and a little more than 24 percent for centrist foundations. This demonstrates their clear philanthropic orientation and

Figure 9-4. *Average Giving by Centrist Foundations to Welfare Reform Activities, 1995–2001*



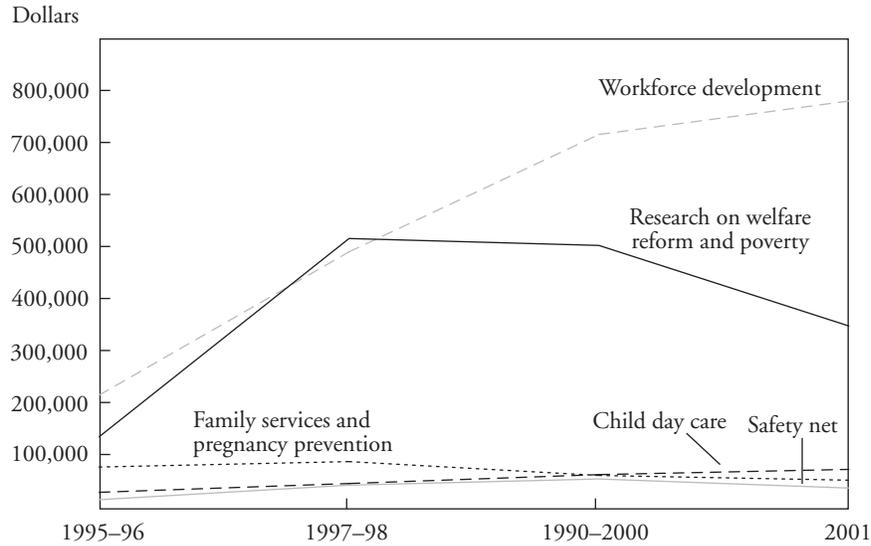
Source: Data from Foundation Center Statistical Database 2001.

may be a reason why they have garnered so much attention for their efficacy in impacting policymaking. Conservative foundations increased their support for research after the legislation passed (63 percent of the amount given to welfare reform activities in 1997–98), as did progressive foundations (52 percent of the amount to welfare reform in 1997–98). In contrast, the pattern of giving among centrist foundations did not change in response to welfare reform legislation (23 percent in 1997–98). The absolute dollar amounts for research dropped in 2001 for all foundations, following an earlier decline in research funding by the conservative foundations.

Workforce development activities also received considerable foundation attention, but child day care, family services and pregnancy prevention, and safety net programs did not. The figures show that both progressive and centrist foundations significantly increased their funding for workforce development in response to the policy change, but their giving to other areas showed little or no change over the period, with the exception of an increase in safety net funding by centrist foundations well after the policy passed.¹⁴ The conservative

14. The increase in funding in 1999–2000 resulted from a single grant by the Lilly Endowment of \$25 million to Goodwill Industries for an emergency assistance heating program.

Figure 9-5. *Average Giving by Progressive Foundations to Welfare Reform Activities, 1995–2001*



Source: Data from Foundation Center Statistical Database 2001.

foundations also gave to workforce development programs before passage of the legislation, but they exhibited a sharp drop in this spending as soon as it passed and spent little on child care, family services and pregnancy prevention, and safety net programs. These patterns are similar to our findings in figure 9-2 for the national sample of foundations.

The data support the finding that conservative foundations played an explicitly philanthropic role, which facilitated their moving away from the issue more quickly than the other foundations once the new law was passed. The findings also imply that progressive foundations played a more philanthropic role than centrist foundations, which spent comparatively smaller amounts on research. Interestingly, none of the groups assumed a clear charitable role, as none showed significant increases in safety net and social service funding during the 1990s.

Evidence from Archival Data

While aggregate numbers like those presented above are informative, they do not provide a complete account of the role foundations played in the welfare reform era. We found that a philanthropic orientation was more evident than a charitable one, particularly for conservative and progressive foundations. Their

public statements reveal much about how intentional they were about this orientation, as well as what roles, such as mediator or institution builder, they played as they carried out this work. Thus to understand the intent behind their giving, it is important to probe deeper into the philanthropic and charitable rationales given by foundations, investigating how they frame their work and how their stated priorities change over time. To do this we used established techniques for document analysis to produce data from each of the 1993–2001 annual reports of the fourteen major foundations we targeted.¹⁵

Foundations as Shapers of Welfare Policy, 1993–1996

Efforts to shape policy and public opinion are reflective of a philanthropic orientation, so in the period preceding reform we would expect foundations to have acted as social entrepreneurs and institution builders. These actions are key to their ability to shape public policy, because prohibitions against direct lobbying for foundations means that many may be reluctant to engage with legislators directly. Despite restrictions on formal lobbying, foundations play important public policy roles by convening critical stakeholders, building coalitions, funding and disseminating important research, and building capacity for advocacy in other nonprofit organizations.¹⁶ This is exactly what many foundations did in the years immediately preceding welfare reform. In particular, they expressed philanthropic social entrepreneurship and institution building by funding demonstration programs, think tanks, and public intellectuals.

Indeed, as was expected, a charitable orientation was less evident among the selected foundations during this time. Across ideology, there were few statements in the foundations' annual reports that the poor needed to be supported from a purely charitable viewpoint or that foundations needed to step in as risk absorbers. That does not mean they were not participating in charitable giving, however. Many of the centrist and progressive foundations, particularly Mott, Ford, Casey, and McKnight, gave to nonprofit human service providers for their work with low-income populations. However, they did not frame their giving in charitable language and instead talked about their work in terms of promoting reform, initiating change, and developing knowledge. In contrast, there is little evidence that the conservative foundations favored a charitable orientation at all. The conservative foundations gave few purely social service grants and did not explicitly discuss grants of this type.

Foundations clearly saw a strong role for themselves as social entrepreneurs in this period. By funding research, foundations took the opportunity to create “facts” that could then be mobilized in support of their ideas. In the annual

15. Prior (2003).

16. Arons (2007).

reports we analyzed, several major demonstration projects stood out as widely supported before 1996, with outcomes that were most likely useful to policymakers on both the left and the right. Particularly well funded demonstration programs include the New Hope project, which provided support for the working poor, and Parents Fair Share, which helped noncustodial fathers get jobs and better parent their children.¹⁷ Evaluations of these demonstration projects, often by Manpower Demonstration Research Corporation, were also widely supported. Interestingly, these demonstration projects were funded by many of the centrist and progressive foundations but less so by the conservative foundations, with the single exception of the Smith Richardson Foundation, whose mission is specifically devoted to research. Demonstration programs are often intended to pave the way for future government-funded projects, so the absence of support by conservative foundations may at least partially reflect the limited government ideal espoused by many in the conservative movement, and that is noted in the Bradley Foundation's mission statement.

The strategic funding of think tanks was another way foundations on both the right and the left acted as social entrepreneurs and institution builders in the case of welfare reform. It has been argued that think tanks, which often function as a type of interest group, can be particularly effective in popularizing particular policy proposals because of their capacity to produce knowledge and expertise while also marketing and framing ideas.¹⁸ Furthermore, during this time the number of think tanks in Washington was growing, as was their influence on national-level policymaking.¹⁹ It makes sense, then, that foundations saw think tanks as an ideal vehicle for pursuit of their philanthropic goals.

Several influential think tanks in Washington, D.C., played particularly important roles in shaping welfare reform, and foundations facilitated their policy activities by providing consistent funding.²⁰ In his comprehensive history of the welfare reform era, Kent Weaver notes that the Heritage Foundation, the American Enterprise Institute, and the Cato Institute were particularly important to political conservatives.²¹ Data from the annual reports shows that the Olin, Bradley, and Scaife foundations funded all of these groups at some point between 1993 and 1996, often with general operating support. The American Enterprise Institute was also funded by the Smith Richardson Foundation. On the left and in the middle, the Brookings Institution, the Urban Institute, the Center on Budget and Policy Priorities, and the Center for Law and Social Policy all played important roles in the policy process, and annual report data show

17. Duncan, Huston, and Weisner (2007); Johnson, Levine, and Doolittle (1999).

18. Stone (1996); Rich (2004).

19. Ricci (1993).

20. Rich (2004).

21. Weaver (2000).

that these organizations were widely supported by the progressive and some centrist foundations, albeit usually not with general operating support. We found that key funders of these organizations included the Annie E. Casey Foundation, the Charles Stewart Mott Foundation, and the Ford Foundation, among others.

Conservative foundations also built the intellectual infrastructure for policy change by funding key individuals active in the debate. Some examples of the support that conservative foundations gave influential scholars working on welfare policy issues were the Olin Foundation's funding of Charles Murray and his widely influential book, *Losing Ground*, and the Bradley Foundation's annual (from 1992 to 1997) grants to Lawrence Mead, the author of *Beyond Entitlement*.

Indeed, scholars have argued that conservative foundations and the think tanks and scholars they supported were extraordinarily effective in both shaping welfare reform policy and setting the stage for its eventual acceptance.²² This was partly because of the strategic nature of their highly coordinated giving. In his 2006 book on the Olin Foundation, *A Gift of Freedom*, John Miller writes that conservative foundations, including Olin, Bradley, Smith Richardson, and Sarah Scaife, came to make up a "full-fledged movement." Sally Covington also argues that these four constitute the "core group" of a larger movement.²³ Covington notes that several features of their giving patterns stand out: these foundations have had a clear political agenda, they have been committed to building strong institutions outside themselves, they have invested heavily in national policy debates rather than local concerns, and they have strongly supported scholars and policy leaders who work to advance conservative ideas. Data from the annual reports of these foundations confirms that in the case of welfare reform all of these patterns held true. Although their overall giving was far less in dollar amounts than most centrist and progressive foundations, they often gave in concert and seemed to put a premium on strategic, philanthropic grant making rather than on charitable giving. They gave to fewer organizations but were more likely to give general operating and long-term support for specific individuals.

Other than these general trends in giving, however, the annual reports of the conservative foundations give little away in terms of how they framed the debate. In general, the conservative foundations, unlike the centrist and progressive foundations, stayed away from making ideologically charged comments or even stating specific goals for their grant making in their annual reports. Rather, they seemed to leave that activity to the institutions and individuals they supported. While the other foundations' annual reports increasingly came to resemble glossy magazines, with stirring photographs and personal stories, the conservative

22. Stefancic and Delgado (1996).

23. Miller (2006, p. 7); Covington (1997, p. 4).

foundations' annual reports were thin and plain, with little commentary or narrative. This was particularly true for the Olin and Scaife foundations.

The progressive Annie E. Casey Foundation is a prime example of the opposite approach in reporting and is also an interesting case with regard to how a philanthropic orientation and focus on social entrepreneurship was framed by progressive foundations during this time. The Casey Foundation used its lengthy annual report to make strong statements about what the foundation stood for, what it was trying to accomplish, and what success would look like. For example, in 1993 the foundation argued that "experimentation, risk-taking, and innovation are necessary to realign existing systems and policies" and noted it was laying the groundwork for a new funding initiative to focus on the "economic viability of families." In 1994 this program was launched for "the development of policies and programs that provide poor families an adequate level of income without discouraging work, savings, or the formation of strong families." The foundation explicitly discussed the need for welfare reform and chronicled in depth its significant giving in this area. By 1995 it reported that 58 percent of its funding was going to addressing "major problems and systems failures" (up 20 percent from the year before). This focus on barriers to work, disadvantage, and economic viability, while explicitly addressing the need for innovation, made clear both how the foundation would prefer the debate be structured and framed and its commitment to social entrepreneurship.

Located in Flint, Michigan, the Charles Stewart Mott Foundation has had a long-term commitment to funding in the area of poverty, and its 1993–96 reports contain explicit frames revealing its preferences and values about poverty policy. In 1994, for example, the foundation launched a five-year initiative to address poverty concerns, framed in terms of "reconnecting," "strengthening families," and "expanding economic opportunity." In 1995 it stated that the welfare reform debate had "tended to scapegoat the poor for their poverty" and that the nation had taken out "our national frustrations on the most vulnerable members of society." These statements clearly reflect the progressive viewpoint that the structural barriers faced by the poor are often severe and that eliminating these barriers should be the starting point for any national policy. As is clear from the organizations and projects the foundation gave to during this time, its concern with both ameliorating and reducing structural barriers was reflected in its orientation to giving, which contained a mix of charitable and philanthropic roles.

One innovative strategy that progressive and centrist foundations like Casey and Mott used to shape public opinion and policy during this time was the funding of documentaries and public television specials. In the annual reports, grants for films featuring the lives of the poor and the work of social service agencies in low-income communities were generally reported as initiatives tied to welfare

reform funding, not as grant-making programs earmarked for media projects. It seems reasonable to assume that foundations made these grants because this type of work promoted specific frames through which they wanted the welfare reform debate to be viewed.

A shift in framing by the Russell Sage Foundation is a powerful example of how foundations attempted to shape the debate around policy solutions to poverty during this time. Russell Sage played a prominent role in funding poverty research beginning in 1987, and in contrast to most of the other centrist foundations overwhelmingly funded university-based research rather than think tanks. The foundation also frequently funded specific individuals, a trend found more often among conservative foundations. In 1993 Russell Sage spent almost \$2.5 million on its poverty research program and was supporting many of the leading poverty researchers in the country, including Katherine Newman, Sheldon Danziger, and Gary Sandefur. However, in its 1994–95 annual report, just when the welfare reform debate was starting to take off, the foundation announced that the program was “successfully concluded.” Although this funding shift may have ultimately served to distance it from the debate, it also reflected Russell Sage’s desire to change the focus of that debate. The foundation wrote that “although the national debate about poverty has focused almost exclusively on welfare use and single parenthood, [Russell Sage Foundation]–sponsored studies . . . have repeatedly shown that the main culprit is not a change in family structure. Instead the principal cause has been the virtual collapse of wages among workers with limited educational background.” The foundation then announced that the poverty program was being replaced by a program on the “future of work.” Rather than disengagement, this move signaled a desire to reframe the debate and push it in a new direction.

The Public Response of Foundations to Welfare Reform, 1997–2001

When welfare reform was signed into law, foundations were not particularly outspoken in either their support or criticism. The lack of detail in the conservative foundations’ annual reports makes it difficult to judge their response, but given that the law contained time limits and work requirements that were widely supported by conservatives in general, one can assume a fairly positive evaluation. It appears that most centrist and progressive foundations were supportive to the extent that they felt existing welfare policy was not working, but they were concerned about the punitive nature of the policy and possible negative outcomes for children.

For the centrist and progressive foundations, this concern was evident in the way they talked about welfare in their annual reports and also in more public messages. Annie E. Casey wrote in 1996 that “as a result” of the law, the foundation “deepened its support for promising reform directions that both increase

employment and safeguard the interests and condition of dependent children.” The Open Society Institute, previously silent in their annual reports regarding the domestic welfare agenda, spoke up in 1996, writing that in response to the recent legislation, they gave a \$2 million grant to “build coalitions to safeguard the needs of poor children.” Lynn Williams, president of the Eisenhower Foundation, weighed in on the debate in a letter to the editor of the *New York Times* on November 20, 1995, explicitly responding to a previous op-ed by Charles Murray. She did not challenge the need for reform, but she was highly critical of the proposed plan as not going far enough in providing appropriate supports for parents.

After passage of the legislation, the annual reports reveal a slight move toward a charitable orientation among the progressive and centrist foundations. Some, drawing on their capabilities as risk absorbers, announced funding initiatives to support families transitioning off welfare or stepped up funding for child care and work development programs. Others used their advantage of being outside the political system to act as mediators, bringing multiple groups together to fashion a more coordinated and streamlined response. These findings highlight that in the postreform period, the increase in funding for workforce development seen in the quantitative data was indeed reflective of both charitable and philanthropic concerns of the centrist and progressive foundations. In contrast, it appears that the conservative foundations began slowly moving away from welfare-related funding all together.

The Charles Stewart Mott Foundation stated in its 1996 annual report that it was paying close attention to how welfare reform had changed the “landscape” for low-income Americans. It actively framed the issue in saying that its effort “was focused on helping to reshape thinking about welfare recipients, not as burdens and dependents, but as people with untapped assets and human potential.” Its grant making represented a mixed charitable and philanthropic orientation, with continued funding for research endeavors but also funding for a host of programs whose mission was to help transition former welfare recipients into full-time workers. For example, the foundation’s 1997 report describes its support for microenterprise opportunities for former welfare recipients, a funding area that reflects the role of social entrepreneur as well as risk absorber. In 1998 Mott continued to put welfare reform issues at the center of its grant making, stating that its “ultimate goal” was to “focus greater attention on these [employment] barriers, in order to help shape welfare policies and service delivery programs so they better address recipients’ limitations and capacities for full-time work.” In 1999 the foundation restructured grant-making initiatives again, announcing a new six-year plan focusing on the three areas it felt best represented “pathways out of poverty.” This progressive foundation did not move away from welfare reform at all but rather adjusted its grant making to account

for the policy change and continued to try to influence the way poverty was framed and addressed as a social problem in the United States.

The McKnight Foundation is also emblematic of foundations that met the challenge of welfare reform head on, taking both a social entrepreneurship and a mediator approach and assuming a combined charitable and philanthropic orientation. Immediately after welfare reform passed, in early 1997, the McKnight Foundation made a major commitment to give \$20 million over two years to help facilitate welfare reform in Minnesota, where the foundation is based. This demonstrated a clear mediator approach and resulted in the funding of twenty-two state-level partnerships, formed among employers, social services agencies, and government entities. The foundation also sponsored several major conferences, hosted regional meetings, maintained an e-mail list, and put out a periodic newsletter, all to facilitate and report on the work of McKnight-funded partnerships. This huge influx in funding has been credited with helping spur a \$53 million state grant modeled after the McKnight program and contributed to Minnesota's being considered a leader in transitioning families off of welfare.²⁴

The Chicago-based Joyce Foundation was also a leader in helping to shape welfare reform policy and outcomes in the Upper Midwest. The Joyce Foundation has a specific commitment to a philanthropic orientation, focusing on public policy rather than grants for service provision. The foundation acted as a social entrepreneur by funding think tanks that produced policy research and supporting evaluations to monitor the impact of welfare reform on families. Its giving in this area actually grew after the bill passed, and Joyce reported overall spending of \$8 million on welfare-related research between 1996 and 2002. The foundation also acted as a mediator, helping to create a network of state welfare officials across the Midwest and ensuring that every grant made for research and evaluation also funded a communications strategy to disseminate results.²⁵ Finally, Joyce strategically distributed a report on the overall findings of Joyce-sponsored research to policymakers, right before the welfare reform legislation was to be reauthorized in 2002, and funded advocacy groups to provide an additional layer of outside monitoring and reporting on the issue.

A final example of creative action in the period following welfare reform enactment was the Lilly Endowment, which demonstrated how social entrepreneurship can play out even in foundations without an explicit commitment to social policy work. The Lilly Endowment played an important philanthropic role during this period through its large commitment to funding faith-based organizations and facilitating the growth of faith-based initiatives. Although

24. Clyde (2002).

25. O'Connell (2007).

“charitable choice” provisions, which allow explicitly faith-based organizations to compete for federal contracts, are now common in federal social policy legislation, the 1996 welfare reform was the first legislation to explicitly allow them. The Lilly Endowment jumped on these initiatives immediately and has consistently funded programs to help support faith-based organizations. Other than the faith-based funding, Lilly largely stayed away from welfare reform funding both before and after the legislation passed. It did, however, give some grants that indirectly supported welfare reform goals, for example, funds for workforce development programs embedded in larger projects, such as funding for a new convention center.

That many foundations remained silent during the debate over welfare reform or else continued to focus on other funding initiatives speaks to the diversity of interests of foundations and their desire to stick to stated funding priorities. The Mellon Foundation is a stand-out example of this, never mentioning issues related to welfare in its annual reports at any time between 1993 and 2001 and spending the vast majority of its public affairs grant making on issues related to Eastern Europe and immigration. That many foundations did not change course during this period of dramatic policy change is an important cautionary tale for those who call for private charity to step in and fill the gap created by government cutbacks or policy shifts.²⁶

For many foundations, interest in framing the welfare reform debate faded quickly, even those who continued to fund research and evaluation programs. For most foundations in this study, discussion about issues relating to the poor and sparking system change was much more explicit in annual reports before 1996. This move away from explicit framing of welfare-related issues supports the idea that foundations were strategically discussing this funding in advance of the legislation. Once the policy passed, there was little need to spotlight these issues in the same way, and many foundations began to focus their annual reports around other issues, even if they were still funding in the area.

The conservative foundations seemed to back off the issue more quickly than the progressive and centrist foundations, although this is truer for Olin and Scaife than for Smith Richardson and Bradley. This may be related to the more specifically philanthropic orientation the conservative foundations took. If the conservative foundations considered the passage of the legislation the ultimate goal of their grant making, then it makes sense that they then moved on to other issues. In contrast, the centrist and progressive foundations, with their more mixed orientation to grant making, continued to fund programs and projects that were intended to maximize whatever positive benefits the new policy might have.

26. Tanner (1996); Olasky (1992).

Conclusion

This research addresses the issue of what U.S. foundations did in anticipation of and in response to the historic Personal Responsibility and Work Opportunity Act of 1996. Overall, we found that foundations took a primarily philanthropic approach and that foundation ideology did have some impact on funding patterns and in how they framed their work. In both analyses we found strong evidence that foundations were not passive bystanders during the welfare reform era. Giving to welfare reform–related activities increased in response to the legislation, and foundations clearly acted as social entrepreneurs throughout this time. They promoted particular policy trends, such as workforce development programs, supported key demonstration programs, funded influential think tanks and opinion makers, and directed funding overall toward projects and institutions that helped shape both welfare reform policy and the outcomes of that policy.

The quantitative data suggest that foundations assumed primarily philanthropic roles by funding major research and demonstration projects and helping support workforce development programs, rather than taking on the charitable role of providing support services to needy households or otherwise acting as risk absorbers. Only workforce development and research-related grants actually increased in response to the policy shift. This strategy makes sense, given that the overall amount of money foundations had to spend on welfare reform–related activities was miniscule compared with government welfare and safety net spending. In the case of welfare reform, foundations may have realized that they could make a greater contribution by impacting policy instead of individuals and families. Additionally, while the type of welfare-related projects foundations chose to support was noteworthy, the speed with which many foundations turned away from these issues is also an important finding. Overall, our research suggests a strong caution for those who call for decreasing public investment in social services so as not to crowd out increased private involvement.²⁷ Clearly, around this policy shift at least, foundations did not see a charitable orientation as their primary role.

Our analyses also make clear that foundation ideology had a strong impact on the giving patterns, orientation, and preferred roles of foundations. Conservative and progressive foundations were more likely than the centrist foundations to take on a philanthropic orientation by funding research. Additionally, the foundations with the least involvement in the debate, such as Lilly and Mellon, were centrist foundations. Perhaps because of the ideologically charged

27. Kingma (1989).

nature of the welfare reform debate, the foundations with more extreme political views were more invested in the outcome than foundations with a less-defined political identity.

Some foundations see having a charitable impact as an important part of their public identity. Many centrist and progressive foundations highlighted both their efforts to support new innovations and their funding of charitable social service activities. It is interesting, then, that quantitative data reveal that overall spending on areas such as social services, safety net, and child day care did not change during this time. Clearly, although many progressive and centrist foundations wanted to be seen as at least partially charitable, more attention was paid to philanthropy and social entrepreneurship.

Overall, the way centrist and progressive foundations discussed their welfare reform giving in their annual reports only partially corresponded with their giving patterns. There was less framing of the welfare debate overall in the years after the legislation passed, and the quantitative data show that many foundations moved away from funding in this area after two or three years. The tendency of progressive and centrist foundations to make statements in their annual reports emphasizing their philanthropic roles and work as social entrepreneurs also corresponded with their giving, but the increased discussion of the need to safeguard the interests of children after passage of reform was not. Although there was a large increase in workforce development funding, we saw no evidence of a corresponding increase in funding for safety net provision, day care, or family services.

The conservative foundations' strong philanthropic orientation was demonstrated by greater spending as a greater percentage of their welfare reform dollars on research than either progressive or centrist foundations, both before and after passage of the legislation. They gave much less, relatively speaking, to workforce development than the other two types of foundations and only minimally to the other areas. This group of foundations clearly saw their contribution as based in philanthropy, not charity. Because conservative foundations tended to have smaller assets than the centrist and progressive foundations, they had to think carefully and strategically about where to put their money to make the most impact. In this case, they gave less overall but focused heavily on research. This strategic, philanthropic orientation allowed them to make a much larger impact on the policy debate than they might have if they had followed a more diversified funding strategy. This may have also contributed to the fact that the conservative foundations were much quicker than the other foundations to back away from funding in this area after the law passed.

There is no doubt that as well as making their policy preferences explicit through their funding choices, foundations of all ideologies contributed greatly

to framing the public debate and shaping policymakers' opinions on welfare reform. Many centrist and progressive foundations chose to frame their welfare-related giving in explicit ways in their annual reports, emphasizing the structural barriers that low-income families faced. The conservative foundations, on the other hand, chose not to say much about their philosophy or ideology in their public documents. They let their viewpoint be known by the institutions they supported and in the use of some conservative master frames when talking about their overall mission, such as emphasizing personal responsibility and traditional values. It is unclear exactly why the conservative foundations were so reticent about the rationale behind their giving. This could be an isomorphic effect, with foundations mimicking the plain style of the foundations they considered their peers. Alternatively, they may have felt that their more limited and strategic giving was clear in its intent and needed no further explanation.

In sum, in the context of welfare reform, foundations played a set of heterogeneous roles that focused more on philanthropy than on charity, differing slightly by ideology. We may see these patterns in other areas where government funding far outweighs private spending, such as education and health care for the elderly. This is a pragmatic approach, given that foundations can never serve as an adequate substitute for government spending on social services. Their overall response to welfare reform supports the argument that foundations are primarily concerned about strategic impact and innovation. Their effort to support innovation by funding research or complementary programs was an example of this, as was their role as promoters of policy change, shaping arguments and providing data to guide policy choices. As a result, however, foundations' focus on philanthropic goals may have left some of the neediest populations in the United States without a charitable safety net during the welfare reform era.