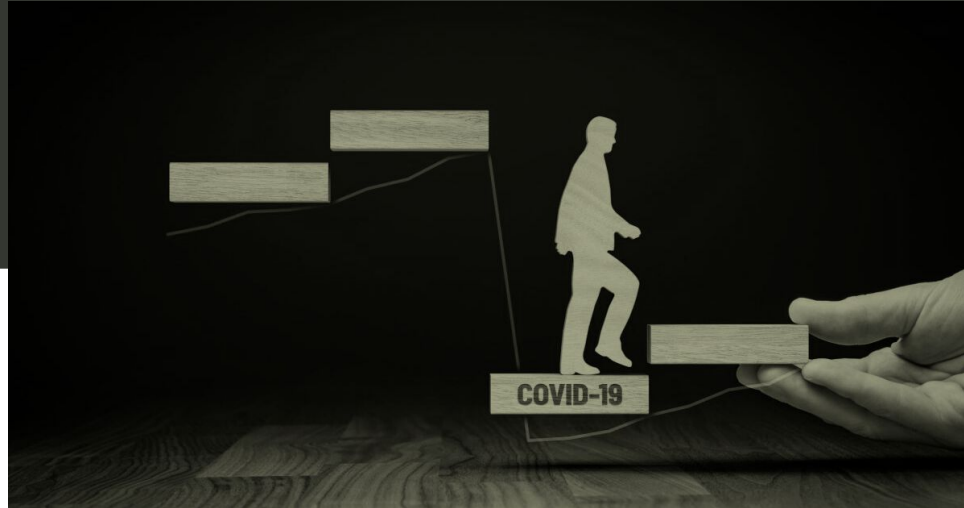


Foundations Launch Huge Bond Program

07.22.20 | Linda J. Rosenthal, JD



At the beginning of March 2020, Americans went about their business and daily lives all but ignoring the news of a raging pandemic in Asia and Europe. By month's end, it had landed firmly on our shores. "Normal" no longer existed.

The State of California – and other parts of the United States – had shut down. Clearly, the nonprofit sector, along with every other part of the economy, would be hit hard. And – as in all crises and disasters – there would be extra demands on many organizations to provide emergency services and aid.

It was clear back then that the federal government would have to respond in a big way and philanthropy would need to participate more than ever before.

Early Foundation Response

Congress authorized unprecedented amounts of money – trillions of dollars – and more may soon be on the way. Community foundations around the U.S. took the lead in creating and publicizing rapid-response funds. The major donor-advised funds are reporting significantly stepped up payouts. Donors have answered the urgent fundraising appeals of individual organizations despite the new precariousness of these supporters' own financial situations and investments.

Early on, there were immediate calls for the nation's private foundations to generously step up, increasing their payouts and easing requirements. For instance, philanthropy thought leader Vu Le "wrote a blog post on March 16, 2020, titled "Funders, this is the rainy day you have been saving up for" and called for philanthropy to double its payout rates. In *Time for Philanthropy to Double Down in Response to COVID-19* (March 18, 2020), NPQ's editor-in-chief also called on foundations to "double their grantmaking..."" Some of them did "increase their payouts." Others "made statements justifying why they would not do so. Still, a group of foundations known for being very responsive

remained relatively silent about any increase in their grantmaking.”

In [*Nonprofits That Rely on Foundation Grants Fare Better Than Others Amid Pandemic*](#) (June 8, 2020), the Chronicle of Philanthropy’s Dan Parks reported on a survey by the Center for Effective Philanthropy that found that “most most nonprofits that receive grants are seeing steady or increasing support from foundations.” See our earlier post: [*Some Good News: Funders Are Stepping Up*](#) (March 26, 2020)

But despite this increase in foundation grant-making – including from community foundations – the pandemic has resulted in still-massive and as-yet-unmet need.

New Foundation Initiative

About that time, the Ford Foundation’s high-profile CEO, Darren Walker, announced an intriguing new development.

During May and early June, Mr. Walker had been “... [urging grant makers to do more](#) to help nonprofits. On June 8, 2020, the Chronicle of Philanthropy published his opinion article: [*Why Foundations Like Mine Need to Give More to Stave Off the Collapse of Vital Nonprofits*](#). “We cannot do the minimum,” he wrote, “when faced with the overwhelming threat to the survival of nonprofits and, by extension, our democracy. Foundations must use the full arsenal of tools and assets at our disposal, including our flexibility, ingenuity, and longevity. Imagine if each of our institutions distributed three or four extra pennies on the dollar. The impact would be significant.”

In a [“move that may surprise many,”](#) wrote NPQ’s McCambridge in [Large U.S. Foundations Sell Bonds to Increase Grantmaking by \\$1.7 Billion Now](#) (June 11, 2020), “the Ford Foundation has announced it will sell \$1 billion of taxable bonds this month, essentially borrowing the money to make additional grants. This essentially will double the foundation’s payout over the next two years, in that Ford made \$520 million in grants in 2019.”

See also, [*Ford and Other Funds Issue \\$1.2 Billion in Debt So They Can Give More Now*](#) (June 11, 2020) Dan Parks, The Chronicle of Philanthropy [“The unprecedented borrowing binge was welcomed by nonprofit leaders who face extraordinary demands from the pandemic and recession.”]

This is a joint project spearheaded by Darren Walker (Ford Foundation) along with: John Palfrey Jr. (MacArthur Foundation), Elizabeth Alexander (Mellon Foundation), La June Montgomery Tabron (Kellogg Foundation) and Edward Henry (Doris Duke Foundation).

The Ford Foundation will take the lead, bearing the greatest involvement by “issuing \$1 billion in debt in the form of 30- and -50 year notes, allowing it to distribute at least 10 percent of its assets over the next two years.” Before the pandemic crisis, Ford had [planned to grant about \\$550 million](#) in 2020.

“For most foundations, the [idea of taking on debt is outside of normative thinking,](#)” wrote Ford Foundation president Darren Walker in a letter to the board last month. “COVID-19 has created unprecedented challenges that require foundations to consider ideas—even radical ones that would have never been considered in the past.” And the Foundation’s investment committee “warned that

it wasn't the right time to dig into the endowment, when equity prices were low."

The other four participants will be at much lower – but still significant – amounts: The MacArthur Foundation and the Doris Duke Foundation will issue bonds in the amounts of \$125 million and \$100 million respectively. The Kellogg Foundation and the Mellon Foundation have announced they will raise their payouts by \$300 million and \$200 million, respectively this year, but neither has decided whether they will issue debt to accomplish it.

Conclusion

"This is unprecedented for us, but these are unprecedented times," said MacArthur's president, John Palfrey.

Ford's Darren Walker "revealed that he had approached ten foundations, but six indicated no interest." NPQ's Ruth McCambridge observes: "This is more in the tradition of large philanthropic institutions, which are often perceived to operate in a different universe than their grantees."

She adds a quote from the New York Times: "The decision by the five influential foundations—major sponsors of social justice organizations, museums and the arts and environmental causes—could shatter the charitable world's deeply entrenched tradition of fiscal restraint during periods of economic hardship. That conservatism has provoked anger that foundations, which benefit from generous federal tax breaks, are hoarding billions of dollars during a national emergency, more interested in safeguarding their endowments than in helping those in need."