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GENERAL

Philanthropy Thought Leaders: “Radical New Reality”

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> The nonprofit sector is experiencing seismic disruption.

At the stroke of noon on Inauguration Day 2025, the White House’s “Shock-and-Awe 2.0” campaign of chaos and confusion began. It hasn’t stopped.

America is trying to stay just a bit ahead of the next dump-truck load of trouble.

The bright spot in this unprecedented wave of misery is the internet: our one big, beautiful, virtual library and instant-communications hub.

For the charitable community, that means a world of expertise and advice at the click of a button. And one of the premier resources for us in these difficult times is the *Stanford Social Innovation Review* (SSIR).

Published for 23 years by the Stanford Center on Philanthropy and Civil Society at Stanford University, this “award-winning publication” is “ … written by and for social change leaders from around the world and from all sectors of society—nonprofits, foundations, business, government, and engaged citizens.”

For the past eighteen months, philanthropy thought leaders have been laser-focused on the extraordinary challenges now facing the nation’s charitable community.

They have generously provided their insights and scholarship to publications like SSIR. A notable series well worth checking out is in the Fall 2025 issue of the quarterly magazine. The nine articles are collected at *Philanthropy's Response to the Radical New Reality*.

It's a good introduction to this outstanding resource which, by the way, has all 23 years of its magazine articles archived and easily accessible. See the "Magazine" tab on the website menu; select "All Issues."

The Radical New Reality

For *Philanthropy's Response to the Radical New Reality* (Fall 2025), the contributors included "leaders and thinkers from a wide variety of funding institutions, beginning with MacArthur Foundation President John Palfrey." They offered articles that "… help philanthropists and their partners think through the choices before them."

"Since the start of 2025," explained the SSIR editors, "the new US administration has aggressively slashed social spending." It has also defunded and dismantled "major domestic and international organizations and programs—and thus, the vital services they provide—in the process. Meanwhile, the tax-exempt status of nonprofits, funding for higher education institutions, and the tax status of philanthropic endowments are falling under threat."

The SSIR editors pointed out as well that "many foundations and donors have spoken out against government funding cuts or announced increases in their giving. Others have entered into new collaborations or set out to spend down their funds entirely."

However, the reality is that the "…scale of potential shortfalls is staggering, and threats of punitive government policies are chilling by design."

Paying Out More – And Soon

The nine articles are provocative but varied. "How should philanthropy respond?" That question can relate to a wide variety of outrages.

The series theme – the "radical new reality" – was certainly relevant a year ago. Sadly, it remains so. In particular, the "aggressive" slashing, defunding, and dismantling has not stopped. This administration ignores courtroom orders against it, then repackages the wrongful behavior, and trots it out all over again – and again.

The first two of the nine articles in the Fall 2025 Issue of SSIR address significant concerns about the withering of the once-robust federal grantmaking pipeline and attempts to mitigate the effect.

The MacArthur Foundation

The first article is *Philanthropy Must Accelerate Spending and Broaden Collaboration* (June 17, 2025, John Palfrey, president, John D. and Catherine T. MacArthur Fdn. ["The sector's response to the sharp withdrawal of government funding and to threats against basic freedoms should start with the easy answers." Pay out as much money as possible, as soon as possible.]

According to Mr. Palfrey,, we can all "give away more money….On our best days, charitable foundations function as society's risk capital. When risk levels are high for society at large, even in a man-made crisis like this one, we have a role to be responsive. We tend to spend more when our endowments go up. Why don't we spend more when the need is greatest? We should be countercyclical when the situation calls on us to do so. We believe this one certainly does…."

In the early weeks of the Trump 2.0 administration, the MacArthur Foundation responded to the "…. current, man-made emergency" with the goal of "lessen[ing] negative impacts and risks" and helping their "grantees deliver on their mission."

The Foundation raised its "charitable payout rate" from the "target of 5.25 percent to 6 percent or more for 2025 and 2026. This commitment is to a higher floor, not a ceiling. This increase amounts to probably $150 million or more in additional giving than what we had planned for this period." They are "… directing it to organizations that are most vulnerable to these cuts in funding and with whom [they] are already working on long-standing strategies." [See also: *Set it at Six: Supporting Civil Society in Need with Increased Giving* (February 25, 2025) MacArthur Foundation.

John Palfrey also addressed "the "perpetuity" twist. There is "a commitment to perpetuity in our founding documents, and we determined that we could meet our fiduciary duties with a modest payout increase without violating that commitment." [Note, however, that the "perpetuity" twist here arises from corporate documents created when the Foundation was created, and not from an irrevocable instrument like a testamentary trust.]

Woods Fund Chicago

The second of the nine articles is *A Looser Hold on Perpetuity* (June 17, 2025) Michelle Morales, president, Woods Fund Chicago ["In a moment of dramatic threat to our work and our communities, giving must be driven by the needs of the moment—not by the performance of our assets. If we in the philanthropic sector are committed to giving our partners the support they need, we cannot cleave to a traditional 5 percent payout."]

Ms. Morales explained that the Foundation's standard (minimum) payout rate had been 6% prior to COVID-19. "Like many foundations, our investment policy statement (IPS) directed our investment managers to maintain our assets in perpetuity."

Nevertheless, this entity that is much smaller than the behemoth MacArthur Foundation, decided to dramatically raise the minimum payout rate early during COVID-19. It went from 6% to "7% in 2020, 7.5% in 2021, 8 in 2022, 11 in 2023, 13 in 2024, and 14 in 2025."

"Fiduciary responsibility," Michelle Morales elaborated, "has long been used to ensure protection of a foundation's endowment, with an explicit goal of perpetuity. But in a crisis, how can we justify perpetuity as a guiding star?"

Accordingly, the Woods Fund Chicago rejected that "narrow definition of fiduciary responsibility that guides most of our investment policy statements" because it "comes at the cost of a broader ethic of fiscal responsibility—one that means showing up when it matters most and not pulling back, and one that strengthens communities by putting endowments to work now, rather than saving them for some uncertain future."

Conclusion

Check out the remaining seven articles in this SSIR series, *Philanthropy's Response to the Radical New Reality,* if you have the chance.

See, particularly, articles five and eight, on the importance of standing up for democracy:

- *In Defense of Philanthropic Freedom* (June 17, 2025) Brian Hooks, chairman and CEO of Stand Together ["Those of us in philanthropy may not always agree, but we must defend each other's right to exist."]
- *Philanthropy Must Stand, Deliver, and Listen* (June 17, 2025) Ben Soskis, Senior Fellow, Center for Nonprofits and Philanthropy, Urban Institute, SSIR ["Any response to this moment must include careful reflection on philanthropy's role in a democratic society."]

The archives of the Stanford Social Innovation Review is a treasure trove of knowledge and experience (academic as well as practical) by important experts in our field.

– Linda J. Rosenthal, J.D., FPLG Information & Research Director