

# Determining Grantmaking Policies and Priorities: A Continuing Process\*

PAUL A. VERRET

*President, The Saint Paul Foundation*

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## **Introduction**

In 1975 when I was appointed executive director of The Saint Paul Foundation, I found myself, at 35, privileged to direct a community foundation that was also 35 years old and had just inherited \$32,000,000 through two bequests consisting of 99.9 per cent unrestricted funds. Prior to 1975, the Foundation had acquired something more than \$6,000,000 in assets and had been staffed for 15 years by very able part-time executive directors who had completed long, successful careers in other related fields. Today, as president and chief executive officer, I preside over a foundation that has permanent assets of its own of \$76,000,000, provides staffing services on a contract basis for foundations and other non-profit organizations having assets of *their own* valued at \$96.3 million, and operates an array of special projects having an estimated 1987 cost (to the Foundation) of \$400,000. In those 12 years, while we have grown we have constantly addressed the twin problems: developing grant-making policy and developing program priorities.

## **Basic Operating Assumptions**

The evolution of granting policies and program priorities for The Saint Paul Foundation has been affected by these assumptions:

1. The role of The Saint Paul Foundation is to serve both donors who are interested in furthering the public good through contributions to the Foundation for charitable purposes, and donees who need funds to carry out specific charitable programs. A broad spectrum of options for donors and donees will be considered, and used where possible.
2. The foundation can be successful only if it continues to try to understand the needs of the people and institutions it intends to serve. This requires significant allocations of time and money. Patience is also needed, for foundations and other kinds of grantmaking organizations, like other institutions, may sometimes be tempted to look for solutions

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and directions to follow before the solutions are available and the directions can be selected. The need for patience applies to granting funds, raising funds, establishing priorities and establishing policy.

3. The foundation can succeed in addressing community needs only if it co-operates with others in so doing. True community betterment takes both time and money. Consequently, wherever appropriate, the foundation will join with others in addressing community needs.
4. Over a given four-year period, The Saint Paul Foundation will raise a minimum of 10 per cent of its income in additional new contributions. While this is not a Canadian regulation, community foundations in the United States must meet a "public support test". In spite of some very serious objections to the federal government's imposition of this fund-raising requirement on community foundations, some good has come from this test: the Saint Paul Foundation must consistently market itself to its donor community.

### **Statement of Purpose**

In light of these assumptions, a brief review of how The Saint Paul Foundation views itself might be helpful.

The Saint Paul Foundation defines its purpose as follows:

The purpose of The Saint Paul Foundation is to seek, accept and administer contributions of all kinds, to help meet the charitable needs of citizens of the Saint Paul area by all appropriate means, including (1) making grants, (2) participating in community projects and studies, and (3) providing related charitable services to organizations and individuals.

### ***Functional Operating Areas***

In light of this statement of purpose, the work of The Saint Paul Foundation is divided into the following functional areas:

1. Fund raising
2. Administration
3. Grantmaking (with Saint Paul Foundation funds)
4. Special projects
5. Services to organizations and individuals.

### ***Organization***

Currently, the Foundation has a staff of 23 full- and part-time employees and employs numerous consultants on a contract basis. The Foundation is heavily computerized and is striving to develop management information systems that demonstrate clearly the costs and results of its activities in each functional area.

## **Shaping Grantmaking Policies**

The development of grantmaking policies for The Saint Paul Foundation started with discussion of basic policy regarding the roles of board and staff. The policy we ultimately adopted came in large part from Robert K. Greenleaf, especially his monograph, *Trustees as Servants*. (Centre for Applied Studies, Row Press, 1974-75, 43 Grove Street, Peterborough, NH, 03458.)

Due to its marked growth, The Saint Paul Foundation has encountered numerous first-time-ever situations calling for provisional, and then fixed, policies. In each case, clear written staff recommendations laying out reasonable alternatives were submitted to the board of directors. The board then reviewed and accepted or amended what was proposed and board decision became policy.

Nevertheless, our policies are not numerous and they are all set out in our *Compendium of Policy and Procedure*.

### *Examples*

Examples of policies, adopted over the years, that affect grantmaking are:

1. With some few exceptions, The Saint Paul Foundation will not make annual operating grants from unrestricted funds.
2. The Foundation will make grants for any purpose, capital or operating, except for the establishment of endowments outside the Foundation. The Foundation will restrict capital grants from unrestricted funds to its primary geographical area, i.e., three counties in the Twin City (Minneapolis and St. Paul) metropolitan area.
3. The Foundation will not fund debts except in rare circumstances and then only if other donors are participating.
4. For defined purposes, the Foundation can and will make discretionary grants outside of meetings of the board of directors, subject to ratification by the board at its next meeting.
5. Recently, the Foundation adopted a new investment policy which affects grantmaking since its implementation initially reduces dollars available for distribution and subsequently endeavours to assure continued growth in grantmaking funds through reinvestment, whether or not new gifts are received.

Regarding policy development, it is my personal belief that grantmaking and other policies for grantmaking organizations should be few, clear, and periodically reviewed.

## **Determining Priorities**

As a community foundation, our priorities are determined by the board's perception of what is going on and what is needed in our community. It is important to note that it is the governing board that determines the Foundation's

priorities. At the same time, I hasten to point out that it is staff's job to provide as much information as possible regarding what the board should consider and possibly do in establishing priorities. The board needs to expect this service from staff and give staff the ability and funds to represent and then act once a determination has been made.

It is not an easy or a simple task to determine priorities. It is a task that never can be completed. It is a task that takes time, money, discussion and a willingness to change as perceptions change. For the past few years, as part of the operating budget, a report outlining what priorities and program emphases for the coming year might be has been prepared and submitted to the Board.

### *Reactive and Proactive Grants*

One way a grantmaking organization's priorities can be determined is through review of its *reactive* grants program. By reactive I mean in response to requests from grant applicants. For a community foundation this analysis must be limited to grants from the foundation's unrestricted funds, since community foundations have little grantmaking discretion in restricted funds. In any event, I believe that what a board thinks is important is easily identified through inspection of where it puts its money. Pick up an annual report and read the grants schedule and you will quickly know the immediate priorities of a foundation, whether they have been deliberately defined or not.

How are grant priorities formally established? There are many ways to do this, including: studies of issues conducted by the foundation or others; paid-for analyses of the performance of the foundation to date conducted by professionals brought in for specific purposes; the acquired experience of board and staff and the use of advisory committees. *Proactive* grants are another indicator of what a foundation's priorities are. By proactive I mean a grant initiated by the grantmaker rather than in response to a request from an applicant. All of these are methods to assist the governing body in establishing priorities.

### *Identifying Issues*

Perhaps a more difficult and less comfortable question might be: what do the board and staff of a given grantmaking organization think the most important issues in its community are? From the viewpoint of a generalist grantmaking organization, such as a community foundation, some that come to mind at this time are: the risk of nuclear war, the likelihood of increased displacement of people worldwide, the changing role of women, the impact of world and national economies on the community, the status of public policy regarding the poor, the need to retrain workers as job opportunities shift, the need to transmit culture and tradition from one generation to another, the preservation of the environment and the specific needs of the poor today.

### *Aiming High*

Obviously, these issues cannot be fully addressed by the grants program of any one grantmaking organization, no matter how large. However, once the issues are identified, a grantmaking organization's formal and informal policies and priorities should shape how that organization realistically addresses what it considers important. As the grantmaking organization continues this process, whatever it decides, I believe it must never set its sight too low. If you aim high, you just might hit something bigger. You might get "beyond philanthropy" to the public good..