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## Coto, non-profit foundations reach deal on diversity

By [Melani Sutedja](#), [Andrea Wieland](#) (published Thursday, July 17, 2008)

A hard-fought compromise has been reached between the state's largest nonprofit foundations and community groups that all sides say will ensure ethnic diversity in the way the nonprofits dole out hundreds of millions of dollars each year.

The deal was reached late last month between Assemblyman Joe Coto, D-San Jose, the Greenlining Institute and ten of the largest foundations in California. His bill, AB 624, would have required foundations to collect diversity data related to leadership and grant-making, and was opposed universally by the largest grant-making organizations in the state.

Coto dropped his measure after a series of discussions with leaders from the Latino, Asian Pacific Islander, and Black legislative caucuses and ten of California's largest foundations.

Negotiations have not been finalized, and Coto, Greenlining, and coalition leadership will meet again later this month, but some particulars of the agreement have already been fleshed out. While the bill would have required demographic data collection by the foundations, the new agreement no longer requires strict monitoring the ethnic makeup of foundations and their client organizations.

"It's proactive, and it's long-term," said Coto of the accord. "We were very pleased with this compromise."

Jeff Okey, of the California Endowment, a party to the negotiation, says that the heart of the new compromise is a focus on making minority-centered organizations more desirable as candidates for grants.

"Many minority-led nonprofits are small and grass-roots, " says Okey. "They need to boost their capacity to be attractive for funding. We will help them with capacity-building programs and leadership development. It's about getting [minority] organizations to a point where they will be better able to handle a foundation grant to serve their constituency."

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After the plan is implemented, foundations will meet regularly with chairs of the Latino and African-American caucuses to discuss the implementation and progress of diversity programs.

Another important concession from the foundations, says Coto, was the agreement to focus on organizations that promote minority student university enrollment, and financial literacy among minority populations.

"There are certain areas we thought were very, very important," says Coto, "and those included increasing the number of minority kids who go into university, and increasing the support they need to graduate, which is important to our community and for California."



"The bill would have placed burdensome reporting requirements on already stretched nonprofits without increasing resources to them. It could have limited the growth of philanthropy in the state," said Sushma Raman, President of the Southern California Grantmakers Association. "[This compromise] will strengthen the existing and longstanding commitments of these individual foundations to low-income under served communities."

Coto originally introduced the proposed legislation in February of last year. The bill was written by leadership at the Greenlining Institute, a Berkeley, CA multi-ethnic advocacy organization dedicated to "empowering communities of color and other disadvantaged groups."

The impetus for the legislation was a 2006 Greenlining report on diversity in charitable grant-making. The report found that only ten percent of executive board of directors of the top 50 foundations in the United States were people of color. According to the study, only three percent of the grant dollars went to minority-led grassroots organizations.

"Large organizations were just not making themselves accessible to minority led organizations in the state," said Coto.

Under the original bill, foundations subject to the law would be required to report the racial and gender composition of the foundation's board of directors and staff, as well as the number and amount of grants and business contracts awarded to organizations specifically serving underrepresented and low-income communities. The findings would be reported on foundations' Web sites and annual report.

Supporters of the bill, which include numerous minority-based grassroots organizations such as the Mexican American Community Services Agency, saw the legislation as the first step in improving the dialogue between community organizers and foundation leaders, and potentially leveling out discrepancies within the grant-making process.

There was also concern that the bill could lead to political pressure for foundations to make their granting decisions based on statistical data, rather than the merits

of each charitable organization.

Adam Briones, program manager of The Greenlining Institute, rejected suggestions that the bill was an attempt to inflict racial quotas on foundations, as well as on the grants they give. "This did not mandate giving to a certain cause or group. It's just about transparency, which leads to more effective governance, business, and in this case philanthropy."

Virtually all of California's largest foundations submitted letters of opposition to the proposed legislation, as did several charity organizations. Critics of the bill said it placed unnecessary and harmful burdens on both foundations and smaller charitable organizations. The legislation would require that almost one hundred pieces of data from each charitable organization that hoped to receive grants from a foundation affected by the law.

"California bill amounted to government oversight of private foundation management and grant making," according to a press release from the Capitol Research Center this week. "Worse, it could eventually lead to politically-charged state mandates on charitable giving"

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