

Foundations May Face New State Rules on Diversity

Worries about the struggling economy dominate much of the foundation world, but many grant makers are also concerned about the potential of new government disclosure requirements.

California's Assembly in January passed legislation that would require foundations with more than \$250-million in assets to publish information about the race and gender of grantees, staff members, and board members.

Similar legislation may spread soon to other states.

The bill's origins lie in a controversial survey in 2004 by the Greenlining Institute, in Berkeley, Calif., which determined that just 12 percent of grant dollars from very large foundations in the state supported minority-led groups and groups that primarily help minorities.

Most grant makers say they

do not oppose "diversity" per se, but several say the bill has flaws. "We don't think the bill would get to the underlying issues," says Sushma Raman, president of Southern California Grantmakers, in Los Angeles, "and in many cases, it's quite difficult to gather data."

She worries, too, that legislation would lead donors to set up new foundations in states with fewer strictures.

What's more, Ms. Raman argues, minority groups also benefit from grants to combat global warming, nursing shortages, and poor public schools, even if white people might lead organizations that work on those issues. But under the proposed bill, those efforts would not be counted as benefiting minorities.

John C. Gamboa, executive director of Greenlining, says most foundations already collect the information that the California

legislation would make public: "It's just transparency, and they shouldn't be afraid of it."

While Mr. Gamboa acknowledges that grants for preserving the environment or recruiting nurses help everyone, he says minority groups must do charitable work for themselves, too. "This is not a measure of impact," he says. "It's a measure of empowerment."

Spreading to New Places

The bill has not yet been considered by California's Senate, but Mr. Gamboa concedes it has little chance of passing that chamber. However, "the best thing that could happen is if the foundations kill it," he says. "That way it remains an issue of contention nationwide."

Indeed, he has heard from groups in Florida, New Jersey, New York, and Texas that want to push similar bills.

Joel J. Orosz, professor of philanthropic studies at Grand Valley State University, in Allendale, Mich., also says he expects to see more diversity legislation considered in those states.

"California historically has been sort of a laboratory," he says, "and I do expect that in states where the foundation presence is quite heavy"—such as Connecticut, Florida, Michigan, New York, Texas, and Washington—"those legislatures are probably going to look at that quite heavily."

However, even if foundations oppose the legislation, they must face the reality of an altered landscape, says Steve Gundersen, president of the Council on Foundations, in Arlington, Va. "Regardless of where you are on the social discussions," he says, "you have to understand the importance of diversity."

—SAM KEAN