

# **Report on Latinos and Philanthropy in the United States**

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## **Introduction**

The growth of the Hispanic population in the United States over the last half-century has been one of the most dynamic demographic shifts in American history. The once monolithic Hispanic experience of the American West and Southwest has been expanded to include much of Florida and the Eastern Seaboard. In addition, the Midwest and Pacific Northwest have also experienced a Hispanic boom as migrants from Mexico and Central America have gone north in search of employment and opportunity. Currently Hispanics represent more than ten percent of the total population. Their rapid growth makes this group an important factor in the demographic future of the United States.

The Hispanic population is remarkably young (26.5 years) compared to the median United States age (35.5 years). The long-term implications of this age scale and the continuing inflow of prime-age migrants from throughout the Americas are staggering.

By 2025, Hispanics will be the largest racial or ethnic group in California comprising 43 percent of the state's total population.

And, perhaps most significantly, by 2050 the United States' Hispanic population is expected to reach 96.5 million or 24.5 percent of the nation's total population.

Much as for-profit businesses have recognized the sales and revenue potential of the Hispanic community, philanthropic entities will need to access Hispanic donors in order to expand in the next century. Indeed, the last year has witnessed a number of important developments in the relationship between Hispanics and philanthropy. This and subsequent reports are intended to create an extensive dialogue on the challenges and opportunities confronting Latinos and Philanthropy in the coming century.

## **Latino Funds : Creating Philanthropy at Home**

The history of ethnic-based philanthropy in the United States is well documented. Recent work on Jewish and African-American philanthropy over the last decade, for instance, has explored the unifying cultural power of associations like the United Jewish Appeal and the United Negro College Fund. Among Hispanic-Americans, much attention has been given over to the long-standing mutualista organizations of the Mexican-

American West and Southwest. More recently, however, a number of initiatives (particularly those surrounding the "Latino Funds" movement) have brought the issue of ethnic-based philanthropy to the forefront of Latino community development agendas. Few initiatives within the Hispanic philanthropic agenda hold as much promise as the Latino Funds. Latino-led and community-driven, these funds represent a dynamic attempt to generate philanthropic investments in Latino communities while preserving decision-making and funding allocation within the community. The most important of the Latino Funds programs currently operating are reported in the Kellogg Foundation's report, "Emerging Philanthropy in Communities of Color: A Report on Current Trends," including information on:

El Fondo de Nuestra Comunidad (St. Paul, MN);  
the Greater Kansas City Hispanic Development Fund (Kansas City, MO);  
the Hispanic Community Foundation of San Francisco (San Francisco, CA);  
the Hispanic Fund of the Community Foundation of Greater Lorain County (Lorain, OH);  
the Latino CORE Initiative of the Hispanic Federation (New York, NY); and  
the United Latino Fund (Los Angeles, CA).

Charged by the Kellogg Foundation's Board of Directors in 1996 to explore "how best to support and expand the resources of communities of color," the EFCC staff focuses on the philanthropic organizations and designated funds of four groups:

- \* African-Americans,
- \* Latinos,
- \* Asian-American/Pacific Islanders, and
- \* Native Americans.

\* Among the many reasons for exploring and supporting ethnic-based funds, was the demographic issues raised above:

in order to "ensure the stability of philanthropy in the decades ahead," Kellogg has argued, "new donors will need to come from communities of color." For the Greater Kansas City Hispanic Development Fund (HDF) the EFCC's support has been essential in expanding the Fund's importance within Kansas City's Hispanic community. Launched as a field of interest fund at the Greater Kansas City Community Fund in 1984, the HDF was intended to serve an advisory function for the host fund's Board of Directors. With the financial support of the Hall Family Foundation the leaders of the Hispanic Development Fund began to make grants in the Hispanic community. These grants reflected the HDF's familiarity with the

challenges facing local Latino community-based organizations (CBOs). Not surprisingly, the grants were characterized by quicker turn-around time than typical foundation grants and by more targeted grantmaking. With input from local leaders and decision-making in local hands, the HDF has created a collaborative arrangement with grantees that promotes more effective grantmaking and greater responsiveness to local community needs. For the Hispanic Federation, however, the development of an effective and community-driven Latino Fund was more difficult. In the first years after its inception in 1990, the Hispanic Federation, in collaboration with the New York Community Trust (NYCT) and the Ford Foundation, launched the Latino Leadership Fund (LLF). The LLF was created as a funding mechanism serving Latino CBOs by awarding small technical assistance and capacity-building grants. Yet while the Hispanic Federation administered the day-to-day management of the fund and served as the key identifier of funding prospects, the final decisions for funding rested with the NYCT and the Ford Foundation. Despite the important effect the grants had on the Latino social service sector, the management arrangement for the LLF was doing little to promote a community-driven approach to grantmaking. By 1994, the LLF ceased operations. The Hispanic Federation remained committed to the creation of a viable Latino Fund and with the support of the United Way of New York City it created the Latino Community Organizations' Resources Expansion (CORE) Initiative. The CORE Initiative again targeted the technical assistance and capacity-building needs of Latino CBOs. In contrast to the LLF, however, ultimate responsibility for grant allocation rested with the Hispanic Federation's Board of Directors. Hispanic Federation ownership of the Latino CORE Initiative has resulted in a number of improvements for grantmaking to the Latino community.

The Hispanic Federation has used its vast network of resources in the community to:

- \* make substantial grants to organizations that might otherwise go unnoticed by local foundations and corporations.

- \* create a collaborative arrangement with corporate donors to the Latino CORE Initiative—who typically are unable to forge close ties with many smaller but important grassroots CBOs—where these donors are invited to join the Hispanic Federation's Allocations Committee.

The presence of experienced grantmakers on the Allocations Committee has served a dual function.

First, corporate and foundation representatives are exposed to a wider universe of potential grantees who might traditionally have had difficulty in securing philanthropic support.

Secondly, and perhaps more importantly, the CORE Initiative's funding mechanism benefits from the collective knowledge of grantmakers whose experiences with such issues as program evaluation make the funding decisions made by the Allocations Committee that much more informed.

In each of the cases described above, the Latino Funds faced a number of opportunities and challenges in terms of preserving control over the funding process. While decision-making is indeed a critical element in the success of Latino Funds, there is little doubt that questions of infrastructure and capacity are equally important.

Recent work by the Latino Funds Collaborative has identified a number of important internal issues facing the individual funds. Among these: perhaps the most important are the

- \* development and implementation of fundraising strategies,
  - \* promoting awareness of Latino Fund activities, and e
  - \* ensuring long-term stability; long-term stability has been the subject of much discussion within the Latino Funds Collaborative as efforts to create endowments have created important opportunities to explore the level of fiscal and organizational preparedness of each Latino Fund.
- The next Latino Philanthropy Update will focus on Endowment-Readiness and Benchmarking among Latino funds.

### **Individual Giving and the Latino Community**

There is no question that individual contributions constitute the single largest source of philanthropic support in the United States. According to recent data, personal giving reached \$134.84 billion in 1998, representing 77.3% of total giving; and fully ninety percent of all contributions to non-profit organizations in the United States come from individuals.

Unfortunately, Latino organizations have, as a general rule, been unable to systematically and successfully tap into these sources of wealth. Recent research by the Independent Sector and the New York City-based Hispanic Federation has explained some of the reasons why individual contributions from Latinos have been so difficult to secure. One key reason for the dearth of Hispanic individual contributions is a matter of frequency of requests. Both the Hispanic Federation and the Independent Sector research indicated that Hispanics are simply not asked to contribute to charity at the same rates as their non-Hispanic White and Black

counterparts. Not surprisingly, however, when asked to help Hispanics respond. Take, for instance, the case of relief efforts after Hurricanes Georges and Mitch damaged large portions of the Caribbean and Central America in 1998.

The Red Cross reported some 92,000 calls offering support. Most of these callers were, the Red Cross reported, Hispanics. Indeed, it appears that disaster-relief efforts are the grantee of choice for many Hispanic donors. And the success of fundraising among individual Latinos has not been lost on major relief organizations like the Red Cross. In light of the response to appeals during the 1998 Hurricane tragedies, the Red Cross has been "aggressively reaching out" to the Latino community. But what about the fundraising efforts of local community organizations providing health and social services to Latinos on a daily basis? Have these CBOs been able to tap into the growing wealth of the Latino community?

Unfortunately, the answer appears to be "not really." Where the American Red Cross can depend on a more than century-long tradition of service and a vast well-financed fundraising apparatus, local Latinos CBOs have little time and few resources to actively solicit individual contributions. The lack of success in individual fundraising for Latino community-based organizations has resulted in a number of innovative initiatives. On a national scale, the Ford Foundation has supported an important initiative by the nation's largest Latino organization, the National Council of La Raza, to expand membership and thus increase individual contributions as a source of revenue. More locally, however, an effort led by the Hispanic Federation and supported by the Avon Products Foundation and the New York Community Trust, has had a demonstrable impact on the success of Latinos CBOs in securing individual contributions.

The Individual Donor Matching Fund (IDMF) Program includes some of New York City's most important Latino CBOs: Puerto Rican Family Institute, Hispanic AIDS Forum, El Museo del Barrio, and Committee for Hispanic Children and Families, among others. Administered by the Hispanic Federation the IDMF includes two components.

The first of these is a collaborative project with The Fundraising School of Indiana University. The project focuses on the skills needed to secure individual contributions including donor solicitation and "making the ask." In addition, each agency works with a consultant to explore aspects of Board development that will enhance the fund-raising capacity and commitment of the organization.

The second part of the IDMF consists of a three-year matching fund program designed to leverage additional dollars from donors. After establishing a base dollar amount of individual contributions, agencies are offered a match of fifty cents/dollar for each dollar raised above the base. During subsequent years the match includes not only new money raised but also support for maintenance of efforts vis-à-vis previous year donors.

The success of the program has raised expectations. Although not all of the agencies reached the amount of new dollars needed to secure the entire \$10,000 match, most of them did secure additional individual donors. In most cases these donors were local residents who are familiar with the work of the agency. While in others, targeted direct mail and special events have been the key to recruiting new supporters. In any case, the program is now completing its second year of operation and important data on the rate of renewable gifts will complement our understanding of the success of this initiative.

### **Supporting Latino Organizations-Trends in Foundation Support**

The 1980s and 1990s have signaled a fundamental shift with regard to government support for CBOs. Debates surrounding the proper role of government in the provision of social services, together with questions regarding accountability and efficiency, have served to diminish the resources available to CBOs from government. Few areas of the "third sector" have been as adversely affected by this shift as the Latino non-profit community. With many of the Latino social service network's agencies owing their existence to the Great Society and War on Poverty programs of the 1960s, few agencies were prepared for the enormous decrease in funding from government. In order to continue providing services to their clients and constituents, Latino CBOs have been forced to seek support from mainstream philanthropic organizations such as community and private foundations. The limits of foundation support should be plain. Often limited by donor guidelines and lacking the enormous capital of government, foundations have demonstrated a great deal of caution in dealing with Latino CBOs. Some grants made in the past year by two of the nation's more well-known grantmakers reflect the priorities and successes possible when foundations support Latino organizations.

The Lilly Endowment is one of the nation's most prestigious grantmakers and its interest in supporting religious organizations has brought it into contact with various Latino religious groups. Cognizant of the problems facing Latino religious organizations with regard to fundraising, the Endowment gave more than \$1 million to six Latino religious training

programs including: Loyola University (Chicago), Azuza Pacific University (Azusa, CA), Latino Pastoral Action Center (Bronx, NY), Mexican-American Cultural Center (San Antonio, TX), National Catholic Council for Hispanic Ministry (CA), Loyola Institute for Spirituality (CA), and the Southeast Regional Office for Hispanic Ministry. These grants reflect not only the Endowment's commitment to funding broad national initiatives serving Latinos, but also a commitment to the long-term stability of the organizations by promoting the stabilization of fundraising initiatives.

Less ambitious than the effort undertaken by the Lily Endowment, the funding priorities demonstrated by the New York Community Trust reflect an interest in local needs. Despite its role as the eighth largest foundation in the United States, the Trust's interest reflect the need of New Yorkers and New York institutions. The growth of the City's Latino population over the course of the last two decades-Latinos account for nearly a quarter of New York City's population-has offered the Trust an opportunity to make strategic investments in the community. Among the Trust's most recent grants are those to local groups such as Alianza Dominicana, Casita Maria Settlement House, and the Institute for Puerto Rican/Hispanic Elderly.

Whether serving local or national needs, foundations can play an important role in strengthening the Latino non-profit network. The question remains whether many of the nation's leading grantmakers will recognize the needs and opportunities provided by the Latino community.

### **Getting a Piece of the Corporate Pie**

The diminishing role of government as a major source of revenue for Latino community organizations created not only an important shift towards foundation support but also a burgeoning relationship with corporate sponsors. Recent research has demonstrated that Hispanic purchasing power in 1999 totals some \$400 billion, an 84 percent increase from 1990. Manufacturers, retailers, and other for-profit entities have recognized this potential market and their corporate-giving programs have started to reflect their advertising investments. The nation's largest corporate grantmaker, AT&T, has reflected the growing importance of Hispanics to the nation's corporate giants.

Recent grants, like a \$100,000 investment in Aspira's Math and Science Academy, have reflected the importance of education, a longstanding funding priority for AT&T.

Others, like the company's \$30,000 grant for economic development to the Cuban-American National Council, reflect the importance of creating economically viable neighborhoods.

In both cases, AT&T's support of Latino organizations demonstrates the importance of the Latino market for the corporate giving portfolio. Less clear than the support of large corporate donors, is the role played by Latino owned-businesses. Between 1983 and 1993 there was a nearly 84 percent increase in the number of Hispanic-owned businesses in the United States. In 1992, these firms accounted for 5 percent of all U.S. businesses and registered receipts of almost \$77 billion. Yet there is little known with regard to the support of these business for Latino CBOs. Some Hispanic-owned businesses have been important supporters of the Hispanic non-profit sector. The Spanish Broadcasting System, one of the nation's premier Spanish-language radio operators, has long been a supporter of the Hispanic Federation in New York City. While Goya Foods and AJ Contracting, two privately owned firms located in the New York metropolitan area, have gone beyond support for Latino organizations to support organizations like the Metropolitan Museum of Art and the Cooper-Hewitt National Design Museum. Yet the data on support from most Hispanic-owned businesses is inconclusive. What is clear, is that Hispanic-owned businesses offer Latino non-profits an important source of revenue that has yet to be tapped.

### **Trends in Services and Management Among Latino CBOs**

CBOs Changes in funding sources and pressures to pursue economies of scale in terms of management and administration have forced changes in the internal structures of Latino non-profits. Where agencies have been unable to meet the new exigencies of the funding marketplace, many have been forced to close their doors after years of service to the community. In other cases, mergers between agencies have resulted in fundamental changes in service provision and in fundraising. In coming issues, the Center for the Study of Philanthropy will explore the impact of changes in services and management among Latino CBOs.