



Tremaine Foundation

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## **Supporting Accountability and the American Recovery and Reinvestment Act (ARRA)** *A Necessary Role for U.S. Foundations*

### Introduction

Although much attention has focused on the scope and content of the American Recovery and Reinvestment Act (ARRA), the ultimate success or failure of the package depends on achieving two key objectives. First, that the stimulus funds be *spent effectively*. Second, that these funds are *spent as intended*.

ARRA addresses these twin concerns through legislative provisions and federal funds it provides for this purpose. But these efforts will prove ineffective unless governments, the private sector, and the non-profit community do their part to make this new and unprecedented system work. Foundations can play a critical role in strengthening the non-profit community's capacity to do just that.<sup>1</sup>

This paper describes a role that foundations can and should play in linking transparency, performance, and accountability to the federal stimulus package, one that builds on the type of expertise that foundations possess, and one that is linked to their own self-interest in seeing the stimulus package succeed.

### The Approach to Accountability in ARRA

ARRA describes a four part approach to making sure that funds are spent effectively, and as intended. The approach builds on President Obama's creation of a Chief Performance Officer position, and other good governance practices:

- ♦ Establishment of a web-based repository (e.g. [www.recovery.gov](http://www.recovery.gov)) that will ensure full transparency from the beginning to the end of program implementation.

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<sup>1</sup> It can be confusing when the terms "philanthropy" and "foundation" are used interchangeably. For this paper, think of foundations as a critical subset of philanthropy, i.e. organizations that support, with grants and other financial instruments, organizations dedicated to providing a charitable benefit to society. This can be in any of a number of fields such as education, economic development, health, environmental protection and the like. Philanthropy is not monolithic and includes public foundations (e.g. Ford Foundation); private family foundations (Emily Hall Tremaine Foundation); community foundations (Cleveland Community Foundation); corporate foundations (Alcoa Foundation); and others.

- ◆ The creation of an Accountability and Transparency Board, chaired by the Chief Performance Officer, comprised of Inspectors General from various federal agencies, and charged with oversight and enforcement of many of the accountability provisions in ARRA.
- ◆ The creation of an Independent Advisory Panel comprised of individuals outside of government who would lend their time and expertise in support this effort.
- ◆ Adequate funding to support the expanded responsibilities of the Inspectors General; to create a web site that can provide for transparency and information sharing; and to hire an Executive Director and staff to support the work of the Board, and the Advisory Panel.

### Foundation Expertise

To be sure, there are other critical elements to ARRA, e.g. the protection of whistleblowers; work with state auditors; and the establishment of timely and informative reporting on program implementation. But with the basic four part structure in mind, foundation expertise could be valuable in the following ways:

- ◆ Given that grant making is a core function, many foundations have made their grant application process more streamlined, while also ensuring that the application format generates information to help guide project implementation. At the Tremaine Foundation we reduced our grant making application to four pages, and have never regretted the decision to do so. It has reduced our work load (a key point given the increased work load that the stimulus places on federal and state governmental agencies). The streamlined format has reduced the burden on applicants, and has consistently delivered the information needed for oversight of funded projects.<sup>2</sup>
- ◆ Foundations are expert at designing and providing oversight for different types of grants, including those based on competitive applications. Foundations use benchmarks to structure grants, and know what to look for in evaluating periodic progress reports. Many have experience working with potential implementing agencies and can suggest necessary course corrections, using interim progress reports to determine where those corrections might be needed.
- ◆ Many of the programs funded under the bill will be directed by formula to states, localities, and other entities. Over the past decade, foundations have become

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<sup>2</sup> Based on the Tremaine Foundation approach, we generated a potential proposal format for energy efficiency and renewable projects funded by ARRA. This format, which is attached as Appendix A, could be customized for other programs that will be funded by grants, and perhaps even for those funded by formula, loans, or loan guarantees. Keep in mind that this streamlined approach addresses the difficult duality of the stimulus process—the need to disburse funds quickly, *and* effectively.

much more transparent and understand how to communicate any relevant guidelines or policy frameworks that will direct the kind of formulaic funding programs under ARRA. Foundations have, of late, strengthened their knowledge of policy environments, and how they shape the use of funds, whether through grants or formulaic allocations. Moreover, foundations have supported watchdog organizations that have as their mandate to ensure that these programs observe all relevant formulas, as well as legislation, report language, and regulations.

- ◆ Program related investments (PRIs) are a feature of foundation operations that are little known outside of the philanthropic community. At their core, PRIs are loans, and there is now a very well developed expertise within the philanthropic community as to how to craft this category of financing, and to provide the necessary oversight to make these loans successful.

### Getting Started

So how can foundations engage on these accountability issues?

- ◆ The first and most obvious opportunity relates to *funding*. While keeping in mind that some foundations can't fund this type of activity, a critical mass exists that does. Notwithstanding the impact of the market decline on foundation portfolios, and grant making, foundations should realize the historic opportunity that ARRA presents for many of their existing lines of grant support. They will understand that the positive benefits of ARRA can only be garnered through robust attention to accountability and transparency. Foundations can dedicate a percentage of operating support to grantees that allows them to be watchdogs over spending in their areas of interest, or even create new groups solely dedicated to this purpose.
- ◆ Beyond dollars, foundations have *expertise* that can and should be made available to support the accountability effort. In Connecticut, the Tremaine Foundation and others will be creating forums where information and our analysis will be shared with the non-profit community. We will be working with non-profits, and also state and local government, to help develop a consistent and competent process for providing oversight of ARRA programs. These interactions are important in two ways. They will add value to the overall accountability effort, and they will no doubt affect the nature of foundation grant making.
- ◆ Finally, because of the role they play in society; because they are viewed as honest brokers; and because their Boards and staff often possess well developed networks in state and at a local level, foundations have *influence*. Influence is a word that can induce anxiety among foundation CEOs and Boards so it's important to state clearly—lending our influence to support effective government intervention does not imply lobbying nor does it even require foundations to play an advocacy role. Instead, foundations can convene the different groups relevant to these processes—governments, non-profits, the private sector and other relevant stakeholders in our society. Foundations can share opinions (whether

anyone wants to listen or not!) and have standing to do so given the social investments we have made at a state and local level. Influence is not lobbying—it is communicating to those who would listen that accountability is essential to successful government intervention, and helps leverage the grant making that is the core mission of America's foundations.

### Where Do We Go From Here

Foundations have to organize themselves to play the role that we can and must play related to ARRA and accountability. We can't expect others to do that for us. And we should understand that providing support for accountability measures is now an inescapable part of our mission. Here are other potential starting points:

- ◆ The federal government should invite a dialogue with the foundation community through some representative grouping of foundations large and small; private and public; including national, regional and community foundations; and both Executive and Congressional branch representatives.
- ◆ Allocation decisions, application processes, and reporting requirements mean that Governors and State Legislatures, and state and local governments, will be forced to work together. This won't be easy. But foundations can play a key role in convening this category of stakeholders, or at the least offer ideas or share best practices as to how different levels of government can make transparency and accountability a core component of their activities. State and local governments may wish to be proactive in calling on foundation engagement on these issues.
- ◆ The private sector, the non-profit community, the academic world, and even the media have a special role to play. While we can anticipate that some recipients of stimulus dollars might wish to spend funds in ways that were not intended (a kinder way of saying some will cheat the system), the far larger segment of society will want the dollars spent appropriately. Foundations can help educate these stakeholders on how they can play in ensuring that funds are spent effectively, and as intended.

### Conclusion

The sorry state of our economy, the hardships it creates and the efforts it calls forth, mean we may only have one chance to get this recovery effort done right. There is no margin for error, and no tolerance for corruption or failure to act. Foundations can't make up for the gap between what governments can do, and what they should do. However, political risk has been spent on getting the stimulus package approved. By playing a role in supporting the accountability measures necessary for that risk to deliver its promised rewards, foundations can play a key role in the current economic recovery effort. In doing so, we will leverage what the stimulus package has to offer, and enhance the value of our respective interest areas.

**Appendix A**  
**Economic Recovery--Project Proposal Format**

(Requested length—no more than four page narrative and two page budget—and must be accompanied by signed one page certification cover letter from Governor or Mayor)

1. Primary Agency; Senior Contact; and Key Staff (include phone and email):
2. Project Sector (Title of ARRA: Section Reference):
3. Total Annual Cost of Project (per federal fiscal year):
4. Amount Requested or Allocated (per federal fiscal year):
5. Project Period (start and end date, indicate if one or two year request):
6. Primary Project Purpose: (one to two sentences):
7. Primary Objectives (list of 5-7) including numerical benchmarks with timetables:
8. How does the proposed work build upon current state (or local) programs, policies, and projects? (No more than three bulleted paragraphs):
9. Potential Implementation Partners (list and describe role; may include private sector, non-profit organizations, organized labor, governmental agencies, et. al.)
10. Key Activities (short list, per quarterly basis; provide in chart format):
11. Deliverables or Outcomes (list along with quarterly timetable in a chart format):
12. Describe key transparency and public oversight measures that will be in place prior to receipt of federal funds (no more than three paragraphs):
13. Describe key accountability and evaluation measures in place prior to federal funds, including process for project modifications (no more than five bulleted measures):
14. Potential risks regarding project outcomes (identify what the major risk(s) are and how you intend to manage them):
15. Indicate how and whether funding will be secured to make the project sustainable:
16. Provide evidence that federal funds will supplement rather than supplant existing state or local funding:
17. Provide a detailed yearly budget, including major line items and projected quarterly expenditures. Please indicate if any in-kind contributions are associated with the project. For key staff, including the Senior Point of Contact, indicate their time allocation (in percentage of total week) they will allocate to the project: