

U.S. PROGRAMS FISCAL EQUITY PORTFOLIO REVIEW

NARRATIVE

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“In this world nothing can be said to be certain, except death and taxes.”

- Benjamin Franklin, famous Pennsylvanian

“My goal is to cut government in half in twenty-five years, to get it down to the size where we can drown it in the bathtub.”

- Grover Norquist, effective gadfly

“The United States could transform its property tax system into a progressive tax on net worth without asking permission to the rest of the world.”

- Thomas Piketty, lefty darling

With morose, violent, and politically naïve (albeit lovingly so, in Piketty’s case) quotes such as those above – ranging from the 18th century through the turn of this millennium to the most recent years of the 21st century – it’s no wonder that tax advocacy fails to capture the imaginations or aspirations of most people, except those who seek to get the system and avoid paying taxes as possible. Conservatives have the easier fight here: very few people or corporations think that they should pay more taxes. Progressives don’t make the fight any easier when they, over decades, failed to talk strategically about the value of public investment or public budgets as expressions of our societal priorities. It doesn’t help either when timid, center-left elected officials cave to the siren song of middle-class tax cuts as they so often do.

US Programs has supported organizations working on fiscal equity—including raising revenues via taxes and equitable budget policy—for many years. The Center on Budget and Policy Priorities (CBPP) and its State Priorities Partnership (SPP) network of 41 state-based (and the District of Columbia) fiscal policy think tanks anchor the fiscal policy field in many respects. While CBPP and SPP have received OSF support since the mid-nineties, this funding wasn’t centrally organized in a fiscal equity portfolio until after US Programs’ 2011-2012 strategic planning process. Coming out of a Board-led Economic Equity Working Group at that time, fiscal equity was one of the only economic justice issues to move forward (housing justice and the Future of Work inquiry also stemmed from this process). There was recognition among Board and staff that fiscal equity was an important redistributive tool to address root causes and consequences of economic inequality. In the document below, we outline our original goals and ambitions for the portfolio, describe the political and funding dynamics at play, and critically reflect on our grantmaking practice.

OUR AMBITIONS: RAISE TAXES AND ENHANCE USP’S OVERALL ECONOMIC JUSTICE WORK

In 2012, OSF Board and staff decided that wealth redistribution via tax policy advocacy was important enough to warrant more sharply focused energy, attention, and resources. While corporations and wealthy individuals bring elite connections and armies of lobbyists, OSF sought to provide a counter-balance of more effective advocacy to represent low- and middle-income people in the U.S. The

resulting fiscal equity portfolio was informed by and constructed based on our assessments of U.S. state-based and national advocacy capacity, important leaders and institutions, the funding landscape, and the political dynamics at play. Our assessment revealed that very few funders were willing to support such advocacy and that there a lack of field coordination, effective messaging, and very little rigor in assessing which state and advocacy partners were most effective. OSF was deliberate in taking a more political stance to address philanthropic underinvestment in fiscal policy. Our aim was to not only provide important symptom relief to low-income families by supporting the social safety net, but to more directly address structural issues related to taxation.

At its core, this portfolio aimed to complement OSF's long-term support for the Center on Budget and Policy Priorities (CBPP), which offers excellent research, policy analysis, insider relationships, and Capitol Hill advocacy. We wanted to expand support for additional campaigning, organizing, and public messaging efforts at the state and federal levels on the toughest elements of tax-related work: raising taxes, especially from the corporations and people most able to afford them. While the bulk of Special Initiatives and Partnership's grants are general support, we determined that the fiscal equity portfolio would require a higher number of project support grants and we set out to provide a strategic mix of c(3) and referred c(4) grants to maximize the impact of the funds we had at hand. This was exclusively a field grantmaking portfolio with no foundation-led concepts or shared frameworks and there was no additional direct advocacy provided via the Open Society Policy Center, for our own acquired capacity could likely never extend beyond that of the Center on Budget's.

OUR PLACE: POWERFUL OPPOSITION, OFTEN INEFFECTIVE ADVOCATES, LIMITED FUNDING

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Fiscal equity grantees are operating in a challenging political environment characterized by partisan gridlock, rising economic inequality, shrinking revenue in relation to the Great Recession and continued population growth, and heavy-weight opposition, including the U.S. Chamber of Commerce, National Federation of Independent Business, Americans for Tax Reform (Norquist's organization), and Americans for Prosperity (the primary Tea Party advocacy infrastructure). The progressive taxation field often navigates tensions between left flank organizations, such as Citizens for Tax Justice and more progressive labor unions with those of more center-left organizations, including the Center on Budget and Center for American Progress.

This field currently lacks charismatic leadership, not a bad thing per se, but Mr. Norquist has become somewhat of a folk hero via his simple pledge and repeat after me, holy trinity of smaller government, less taxes, and more freedom. Center-left organizations can be insular and overly technical in their messaging, which is unfortunate because it generally requires significant and sustained education for people to understand tax issues and why they are important. One notable exception to this trend can occur via local and/or state ballot initiatives and referenda, which can help translate what taxes mean in tangible, real life ways (i.e. local schools, hospitals, and transportation, for example) and open up space for public conversations about whether public budgets have the necessary resources to meet community needs for the greatest number of people.

Overall the fiscal equity portfolio was particularly vulnerable to and impacted by Congressional dysfunction. In many respects, sequestration loomed over this portfolio from 2013-2015. It proved hard to pivot into forward action when everyone was focused, rightfully so, on avoiding a government shutdown (and one could now be looming again over Planned Parenthood's funding and/or campaign one upmanship for the '16 Republican presidential nomination). Despite this context, grantees

successfully coordinated advocacy efforts to block any proposed corporate-friendly tax reforms and organized a growing cadre of Congressional tax reform advocates. Given the challenging operating environment, fiscal equity grantees tried to reframe a “tax fairness” and tradeoff debate as part of a broader populist economic platform. This is, unfortunately, a bipartisan challenge: conservatives and many liberals alike, including President Obama and Hillary Clinton, all use “tax cuts” language (albeit in a middle-class context).

While there is considerable philanthropic investment in preserving the social safety net, most foundations shy away from tax policy which is viewed as riskier and more partisan in its debate and policies. Consequently, the funding pool for raising revenues via tax increases and closing corporate tax loopholes is extremely limited. Labor unions, AFSCME notably, historically funded this work but they are now in a fight for their lives as their dues base has been decimated by Right-wing legislative and legal attacks. Consequently, the four funders for more politically engaged tax advocacy are the Bauman Foundation, Ford Foundation, Stoneman Foundation, and OSF. We are the only entity with the potential to access hard to obtain c4 funding and have referred \$500,000 in c4 funds to this portfolio to date. Outside of this portfolio, US Programs supports a range of groups that also do effective work on tax issues including, the Center on Budget and Policy Priorities (which is housed in the anchor portfolio), PICO National Network, National People’s Action, and the Economic Policy Institute.

OUR WORK

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From the outset, the Special Initiatives and Partnerships team sought to construct a portfolio with a combination of federal and state-level policy, advocacy, communications, and field/organizing.¹ Overall, we were able to maintain a strategic mix of inside and outside tactics, although we were not able to – except indirectly via support for the State Priorities Partnership – support specific state or local tax fights. We did make an important priority to not exclusively support DC advocates, however, with investments in strategic communications, public opinion research, and grassroots field advocacy in important Congressional districts or states with senators on the Senate Finance Committee. Unlike many other portfolios in USP, fiscal equity is one area where an anchor grantee, in this case the Center on Budget and Policy Priorities, plays a dominant role. CBPP’s broad-scale, top-notch reputation, and decades of important policy victories for low-income people largely meant that any additional support from OSF would be icing on the cake. CBPP was very supportive of our investments in building a coordinating center of gravity for strategic communications, public opinion research, and field advocacy.

USP ACTIVE IN CREATING A NEW CENTER OF GRAVITY FOR THE FIELD

2012 was a strategic pivot point for OSF and other leading funders. Bill Vandenberg from OSF joined Gary Bass from the Bauman Foundation to help organize funders and create a new national advocacy coalition, Americans for Tax Fairness (ATF) and Americans for Tax Fairness Action Fund (ATFAF), with c3 and c4 capacity. This would become the most direct, sustained, and impactful Open Society intervention in this portfolio’s existence. ATF launched through an initial OSPC c(4) seed grant and Bauman c3 funding (each at the \$500,000 level) and was designed to address endemic shortcomings of the progressive tax advocacy field. Prior to forming ATF, for years national unions generally gave money to their favorite organizing networks, regardless of whether affiliates and states were strategic or high

¹ Appendix I includes a list of all fiscal equity grantees, dollar amount, and funding purpose from 2013-2015.

performing. There were ad hoc tax advocacy coalitions that would be episodic and need to be rebuilt every two years and strategic communications work was diffuse and lacking consistency and discipline. We aimed to support a more strategic center of gravity where the field would work off of common messaging, coordinated advocacy and targeting, and regrants would only be provided to the strongest state-based grassroots advocacy organizations in the most strategic states.

The first more formalized coalition of its kind that we are aware of, at least since the late 1990s (and members of the OSF team have been working on state-based tax advocacy since that time), Americans for Tax Fairness nonetheless was established to be non-permanent and to only exist as long as its members and funders find it to provide added value. Perhaps because of this temporal, ‘prove your worth’ status, ATF has become the most important coalition dedicated to raising federal taxes and closing corporate loopholes. Initially led by the Center for American Progress, Center on Budget and Policy Priorities, National People’s Action, and public sector labor unions, ATF has grown to over 425 endorsing organizations, with 30 playing an active role on the Steering Committee.

The coalition includes influential and well-funded national think tanks with DC savvy and credibility; smaller left leaning think tanks; labor unions; progressive small business networks; and field players that mobilize their members and affiliates in strategic Congressional districts or states with Senate Finance Committee members. ATF was a recognized and driving force in the successful 2012 efforts to force Congress to retire the Bush tax cuts for the wealthiest of the wealthy. The coalition went on to coordinate national efforts, in concert with the White House but also pushing it from the left, leading to the March 2013 Senate vote for higher taxes (\$975 billion in new revenue over 10 years), limiting wealthy tax deductions, and closing corporate loopholes. The coalition has also done effective work in shaming “patriotic” U.S. corporations that shirk paying taxes via offshoring or inversion schemes.

A HEAVIER (FUNDING) HAND THAN IS TYPICAL FOR US

This has been a heavier funder engagement and steering role for us than most other aspects of the Special Initiatives team’s grantmaking. For the past three and a half years, Bill Vandenberg played an active role with the coalition, at first serving on the Steering Committee (but then not since it wasn’t the best use of his time or Open Society’s role), and closely collaborating with peer funders. When concerns were raised about ATF executive director Frank Clemente’s leadership style (he is an experienced strategist but a hard and often divisive manager), Bill and other members of ATF’s steering committee stepped in to recommend an evaluation and funders then reinforced the findings of the evaluation with Clemente and helped him develop a plan to address negatives. Out of this process, which revealed an overly Beltway-centric modus operandi for ATF and Clemente, Vandenberg recommended – and helped identify funding – so that Margarida Jorge, a well-regarded national strategist on state-based field advocacy, could join ATF as its field director.

CHOOSING PRAGMATIC ADVOCATES, NOT THE VISIONAIRES

In selecting fiscal equity grantees, the SIP team chose known and less risky organizations that were more pragmatic in their progressive incrementalism – still decidedly to the left of the White House and most Congressional Democrats, however – and more conventional in their strategies and tactics. We didn’t take as many risks as we could have. For instance, VOCAL New York, a grassroots group with more creative and often ‘in your face’ tactics, is part of a broader Robin Hood Task effort about revenue-generation that was promising but not funded through this portfolio. Our riskiest grant was to The Agenda Project, a deliberately edgy communications and social media operation, for its “Patriotic

Millionaires” project which used controversial videos (a la conservative budgets will “push Granny off the cliff” with, yes, a heavy-handed illustration of poor Granny going over a cliff) to push buttons, drive clicks, and in theory draw more activists to these fights. Needless to say, this did not transform the debate but it did signal to grantees that we were open to more aggressive and less polite advocacy.

Another grant that sought to go beyond the ATF coalition and State Priorities Project network was to CampusProgress, now known as Generation Progress, and Young Invincibles, who sought to engage young people in tax fights through work in districts, including Rep. Paul Ryan’s, linking youth un- and underemployment to the budget. Their concept held promise and the project met its deliverables but young people are no more active in tax policy now than before the time of the grant. Another grant, to the Main Street Alliance, sought to increase the engagement of small business owners in fiscal fights, an effective counterbalance, when done well, to conservative, anti-tax advocacy.

WAS THIS ONLY A FISCAL EQUITY PORTFOLIO OR WAS IT AN ECONOMIC JUSTICE PLACEHOLDER?

While many effective organizations were supported through this portfolio, in practice, this portfolio also became a somewhat random hodge podge of grants. The funds became a place to field George Soros, USP Board, and staff (both Executive Office and Special Initiatives) requests that advanced economic justice but may have had tenuous links to fiscal equity and raising revenue. One of these grants earned us a tongue in cheek, USP 2014 “Georgie” award for “Most Mediocre Grant,” for the Economic Media Project (in candor, we self-nominated). The Special Initiatives team benefitted from the flexibility of this portfolio, but it was also a liability. Reviewing the grants awarded between 2012-2015 for this portfolio review underscored what a random assemblage of grants we’d made.

In retrospect, we should have done more in articulating goals and a strategy for this portfolio. While Vandenberg made most of decisions on which groups to fund, there was no one Special Initiatives staffer, a program officer for example, to “own” this portfolio. This might have done more to set parameters for which requests from USP leadership we could consider or not. It is also worth noting that in many respects, this portfolio acted as a stop gap measure for US Programs – a kind of Economic Justice “Opportunities Fund” before the 2015 adoption of economic advancement as a fourth pillar for USP, with its own budget. From 2012-2014, the fiscal equity portfolio was a place to support organizations not just tackling fiscal policy but economic justice more broadly. For instance, the portfolio supported Richard Kirsch’s Progressive Economic Narrative project, which is now housed in the Economic Core budget for ‘15; National People’s Action, which had been tied off from the Democracy and Power Fund; and enabled USP to fund the Working Families’ c3 for the first time in a few years.

SHORTCOMINGS: GLOBAL CONNECTIONS, RACIAL JUSTICE, AND SUSTAINED FIELD

In hindsight, the portfolio also would have benefited from more collaboration with our global colleagues, a more explicit racial justice lens and strategy, and more investment in sustained, non-episodic field engagement around taxes and revenue in the states. Although this portfolio was US-specific, we missed an opportunity by not proactively and intentionally engaging other, non-USP colleagues. After meeting with Fiscal Governance Program colleagues at this year’s INET conference, we realized what an untapped opportunity that presented. For instance, we learned the U.S.-based FACT Coalition was funded by international colleagues, with some overlapping interests and organizations, and began sharing field intelligence and drawing connections between our bodies of work. In addition, this portfolio would have benefitted from a more explicit racial justice lens. Some of our grantmaking dollars were re-granted to racial justice-focused state affiliates and coalition members, but most went to

organizations with white leadership and a more typical Beltway orientation. Lastly, while Americans for Tax Fairness did generally competent work, on a shoestring, in retrospect we could have invested in more sustained field engagement in important districts around the nation so that when votes or debates approached the capacity would be ready to pounce. As is stands, we – and our funding peers – created an overly hand to mouth field operation.

MOVING FORWARD: STATE OF THE FIELD AND PORTFOLIO TO SUNSET IN 2016

We do believe that the field is now in a stronger place than it was prior to this more engaged funding over the past three and a half years. This is not an unqualified success, however, it is a mixed bag and more nuanced. The Americans for Tax Fairness “center of gravity” remains important to its field, and important credentialers –including Bob Greenstein of the Center on Budget, Larry Mishel of the Economic Policy Institute, and top leaders of the National Educational Association and the AFL-CIO all have put their names on the line to keep the coalition intact. The strategic communications and public opinion research has benefited a broad cross-section of organizations.

Beyond the revenue increases that the portfolio’s grantees have helped to win, other notable “side” benefits of this work have accrued. Through Americans for Tax Fairness, grassroots national networks, including National People’s Action (NPA), were brought more into the Beltway universe, reflecting an important step in their institutional maturation and relationship expansion even when it didn’t work smoothly. Also through the expanded coalition work, NPA, the Finance for a Just Society (AJS), and US Action began to work more closely together. Each has faced different challenges adapting in the new national grassroots organizing network landscape as the Center for Popular Democracy and PICO have rapidly ascended. Encouragingly, AJS, NPA, and US Action are now in advanced stage conversations about starting a new, unified organization to build off of the strengths of each while shedding some of the decades old “dead wood” of their aging networks.

From 2012, the fiscal equity portfolio has had a good run in USP, but in order to pursue other economic advancement interests we have voluntarily opted to sunset the portfolio, exit from ATF, and reduce investments in the field at the end of 2016. Our decision will not surprise our funding peers or grantees and we will tie-off grantees responsibly with appropriate notice. Lastly, to maintain some presence and ensure that state-based capacity remains solid, we will fold in one project grant (\$500,000 annually, in all likelihood) to the Center on Budget to maintain support of its State Priorities Project and the impressive funder collaborative in which USP has served for ten years.

Appendix I -- Fiscal Equity Portfolio - Grants Awarded 2013-2015

Year	Total Approved Budget
2013	\$2,500,000
2014	\$2,100,000
2015	\$1,125,000
Total	\$5,725,000

2013 Grantee	Amount	Purpose	Notes
Center for American Progress Campus Progress	\$400,000	To provide project support to Campus Progress (now known as Generation Progress) and Young Invincibles to work to engage young people on general fiscal policy advocacy including collecting fiscal equity data on young employment concerns	
Ballot Initiative Strategy Center	\$100,000	General Support	Awarded with 100k from Civic Core
Center on Budget and Policy Priorities	\$750,000	General Support	Awarded with 1M from anchor and \$250k from Reserve to enable multi-year support
Progressive Economic Narrative Project (Sponsor: US Action)	\$50,000	To provide project support to promote a common economic narrative and powerful story that is told consistently through communications and organizing across the progressive community	

Patriotic Millionaires	\$50,000	To provide project support to use aggressive communications and social media driven advocacy on federal tax policy.	
Center for Working Families	\$400,000	General Support	
Center for Economic and Policy Research	\$150,000	To provide project support for ongoing fiscal equity work	
Rockwood Leadership Center	\$23,000	To provide project support to the Wye River Leaders cohort	Grant made at request of Executive Office
Americans for Tax Fairness (c4)	\$500,000	To provide seed c(4) funding to Americans for Tax Fairness Action	c(4) grant deferred through OSPC
2013 Total	\$2,423,000		

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2014 Grantee	Amount	Purpose	Notes
Americans for Tax Fairness	\$100,000	To provide project support for the work of ATF, which aims to educate the public about the need for comprehensive, progressive tax reform that results in greater federal revenue to meet the public's growing needs	
Economic Media Project (sponsored at Roosevelt Institute)	\$125,000	Tie-off project support	Did not meet matching requirement for final 125k payment. Grant made at suggestion of USP Board member.
Roosevelt Institute	\$400,000	General Support	At the request of George Soros; not a fiscal policy organization.
National People's Action	\$400,000	General Support	
Center for Working Families	\$500,000	General Support	

Main Street Alliance	\$110,000	To expand Main Street Alliance's economy-boosting jobs and local economic prosperity policy agendas, including fiscal equity, while supporting the strategic expansion of the network's geographic footprint and revenue generating capacity.	Tie off grant
Center on Budget and Policy Priorities	\$450,000	To provide two-year project support to the State Priorities Partnership	
Gettysburg Project	\$15,000	To support the Gettysburg Project	Grant made at request of Executive Office
2014 Total	\$2,100,000		

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2015 Grantee	Amount	Purpose	Notes
Americans for Tax Fairness	\$400,000	To provide project support for ATF, including strategic communications and public opinion research, support coalition operations, and provide regranting support to state-based organizations in six priority states.	
National People's Action	\$400,000	General Support	
Center on Budget and Policy Priorities	\$75,000	To support the State Priorities Partnership Annual Convening (OSF's turn in the rotation occurs every seven years).	
Faith in Public Life	\$125,000	General Support	Awarded with 250k from Civic Core
Analyst Institute	\$100,000	Project support to support small business owner data modelling project.	Awarded with 200k from 2020
To Be Determined	\$25,000		
2015 Total	\$1,125,000		