

## MEMORANDUM

**TO: U.S. Programs Board**  
**FROM: Ann Beeson**  
**DATE: September 9, 2010**  
**RE: U.S. Programs Budget and Strategy Overview for 2011-12**

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Enclosed for your review is the proposed U.S. Programs budget for 2011-12. We are grateful for the guidance of the Board budget committee as we developed the materials, and to the Board advisors who provided feedback on the plans and budgets for each program. This memo is intended to supplement the enclosed budget materials with an analysis of the overall climate for reform on our issues in the next two years and a summary of trends and shifts in the U.S. Programs budget that we believe are necessary to advance our goals in the current climate. The memo is organized as follows:

- The external climate for advancing open society in the U.S.
- New, expanding, and shifting areas of work
- Contracting areas of work

The budget binders include a summary of the budget and a number of charts that illustrate budget trends and analyze categories of spending. The binders also contain four-page plans for each of our programs, which summarize each program's goals (based on the three-year strategic plans presented to the Board last year), identify lead grantees and recent accomplishments, and propose strategies for 2011-12 and the expected impact. The final page of each plan describes the context for reform, identifies the needs of the field, and outlines significant variances in planned spending from 2010 to 2011-12. The binders also include a list and data about U.S. Programs key grantees and a snapshot of our policy reform priorities.

### **I. The external climate for advancing open society in the United States**

During the Bush Administration, the funding and advocacy strategies of the Open Society Foundations' U.S. Programs were primarily oppositional and we worked defensively to challenge unjust policies and expose abuses of power.<sup>1</sup> From 2008-2010, our funding helped groups advance an affirmative open society policy agenda in the hopes of a more friendly Administration and we rapidly launched a number of innovative programs to counter the impact of the economic crisis. While we secured a range of critical victories over the last 18 months, our collective hope for more substantial, long-term progress has been tempered by the economic crisis and persistent threats to a well-functioning democracy. As we develop and implement our goals and strategies for 2011-12, we will continue to sprint towards success on issues within reach while steadily building capacity to strengthen open society over the long-term.

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<sup>1</sup> Beginning this year, the family of over 30 foundations created by George Soros is referred to collectively as the "Open Society Foundations", or "OSF".

### ***Continuing Challenges***

Partisan gridlock in Washington has made it extremely challenging to advance our issues inside the Beltway. The Tea Party is channeling popular discontent and anger at government and Wall Street to foment xenophobia and racism. Rapidly shifting demographics in the United States are fueling fear and backlash against Latino immigrants. Hate violence is increasing. The very fact of an African-American President has lulled many into believing that the country has overcome intolerance, while headlines expose the ugly reality – from the “birthers” to the outcry over plans to build a Muslim community center in Lower Manhattan.

The Great Recession has devastated already vulnerable families and communities, required states to drastically reduce their budgets, and shrunk philanthropic investments. National foreclosure rates continue to exceed those during the Great Depression and are three times higher in communities of color. The country continues to experience high and persistent unemployment rates. The national crisis facing black men and boys is more severe today than when we launched the Campaign for Black Male Achievement, with unemployment figures double the national average and few signs that the educational achievement gap is narrowing.

Many entrenched threats to open society have not been priorities for the Administration – including mass incarceration, the “War on Drugs,” and persistent inequality. Our grantees and partners have new allies on the Hill and in federal agencies who welcome ideas and input, but progress on these issues continues to be slow.

President Obama pledged to fix the nation’s broken immigration system, but vocal opposition doomed the short-term potential for reform. To counter pressure from the right, the Administration stepped up enforcement efforts and is now deporting more people than during the Bush years. The passage of SB 1070 in Arizona marked a new low point and spawned copycat bills and growing anti-immigrant rhetoric. A similar offensive from the right on national security policy, and growing fears of “home-grown terrorism,” has weakened the Administration’s resolve to confront abusive “War on Terror” tactics.

### ***Success in 2009-10 in the Face of Significant Challenges***

Despite these sobering and continuing challenges, we have made significant progress on a number of issues in the past year and a half. On drug policy issues, federal healthcare reform included expanded access to treatment; the federal ban on needle exchange was lifted; the crack/powder cocaine federal sentencing disparity was substantially modified; and the Rockefeller drug laws in New York were finally amended. Nine states significantly expanded community-based addiction treatment.

Showing a renewed commitment to tackling the nation’s indigent defense crisis, the Department of Justice created a new Access to Justice office. The federal government agreed to match funds to expand the Civic Justice Corps, an OSF-initiated program that helps adjudicated youth obtain jobs and education. Nineteen states adopted policies to reduce incarceration, and some states saw decreases of up to 12%; the Maryland prison

population decreased by 1000. Four states and a number of municipalities (including Baltimore) “banned the box” requiring job applicants to disclose criminal convictions. The Supreme Court banned the sentencing of juveniles to life without parole, and death sentences are at historic lows.

Despite major setbacks on immigration reform, the immigrants’ rights movement continues to grow in strength and capacity. SB 1070 has been enjoined (the lawsuit is now on appeal), and pro-immigrant groups from around the country continue to send advocates to Arizona and to develop strategies to prevent traction on copycat bills. OSF grantees organized a large Washington march this spring that reinvigorated the immigrant grassroots movement, and immigrant young people courageously joined together in public “coming out” efforts to build public will for passage of the DREAM Act.

On the national security front, within his first few days in office President Obama announced his intention to close Guantanamo. Our grantees laid the groundwork for Obama’s commitment and led to executive orders to end torture and secret prisons and mandate review of U.S. interrogation and detention policies. The Administration also launched an important and far-reaching Open Government Directive, based on a comprehensive blueprint developed by our grantees.

There is a growing consensus to reform the country’s broken election system. OSF helped to launch a high-level Committee to Modernize Voter Registration along with a parallel effort to advance reform in the states. A special campaign, which OSF coordinated jointly with other funders, also ensured that hard-to-reach populations were counted in the 2010 census, which will be critical as states engage in redistricting next year. OSF grantees thwarted a legal challenge in the Supreme Court to the Voting Rights Act, and grantees continue fighting similar challenges at the state level.

With support from OSF, a number of groups also formed a coalition to reform federal education policies that perpetuate the “school-to-prison pipeline.” OSI-Baltimore’s work has helped reduce school suspensions from 25,000 in 2006 to 12,000 in 2010. OSF grantees helped to build public will to include equal opportunity guarantees in the American Recovery and Reinvestment Act; ensure fair pay for women through the Lily Ledbetter Act; and remedy discrimination in health and human services for same-sex couples. The Rights Working Group launched a national campaign that brings together traditional civil rights organizations, immigrants’ rights groups, and Arab, South Asian, and Muslim communities to challenge profiling by law enforcement.

OSF-initiated national and state coalitions worked to ensure transparency and equity in the distribution of billions of federal stimulus dollars, and our grantees also advocated for the expansion of anti-poverty programs in the federal budget. OSF grantees played a leading role in establishing the new Bureau of Consumer Financial Protection and helped to eliminate abuses in subprime lending. Complementing our advocacy, the Special Fund for Poverty Alleviation and the Campaign for Black Male Achievement delivered millions of dollars to direct service programs to broaden educational opportunities for disconnected youth, expand access to employment, and to improve access to benefits.

We leveraged federal funds to fight poverty, and our grantees helped to craft the federal Fatherhood, Marriage and Healthy Families Innovation Fund.

***Forecast for 2011-12***

As we move into 2011-12, there are lessons to be learned from our successes and ongoing challenges. OSF and our partners must continue to press for short-term federal reforms and to “seal the deal” on issues from closing Guantanamo to truly ending the “War on Drugs.” We must ensure that promises are matched with concrete policy shifts, and continue to hold the Administration accountable on immigration reform, indigent defense reform, government transparency, and more. We must also press for effective implementation of recent reforms (in areas including national security, expanded access to drug addiction treatment, and the economic recovery).

We must also confront a number of emerging challenges with new and expanded resources. We need to expose and challenge xenophobia and racism and to redouble our efforts on civic and public education. The Supreme Court’s decision in *Citizens United* allows corporations to spend unlimited sums in support or opposition to candidates, skewing the balance of power between corporations and the voting public. We should support policy proposals that would lessen the impact of the decision and level the playing field. The redistricting process presents a once-in-a-decade opportunity to ensure fair voting representation, but the process is likely to be highly partisan. We need to support organizations working to ensure a fair, open, and transparent map-drawing cycle in which communities participate, influence the system, and protect representational gains made by minorities.

To respond to persistent poverty and inequality made worse by the Great Recession, we must deepen our investment in advocacy to ensure economic security through job creation, workforce development training, foreclosure prevention, and efforts to repair the nation’s tattered social safety net. We will continue to support programs to lessen the disproportionate impact of the recession on African-American men, and to strengthen our advocacy through complementary direct service funding and federal partnerships leveraged by the Special Fund for Poverty Alleviation, CBMA, and OSI-Baltimore. We will also take advantage of the fiscal crisis to confront the excessive costs of over-incarceration and to promote more cost effective and just criminal justice policies.

Recognizing that policy change in Washington is likely to become even more challenging following the mid-term elections, we must continue to expand and strengthen organizations and constituencies engaged on our issues outside of the Beltway. As the Tea Party movement has once again demonstrated, large scale networks of engaged and informed people can shift public will on policy issues. To highlight just one example, continuing to strengthening the immigrants’ rights movement and to expand non-partisan voter engagement across the country can help stop Arizona copycat bills, render anti-immigrant rhetoric toxic to politicians, and ultimately build broad scale support for comprehensive immigration reform. Investment in the grassroots and grass tops is necessary to broaden public support for much-needed reforms and to hold the Administration and Congress accountable to its promises. Expanding our funding in the

states will complement the work of our many strong organizational partners in Washington, DC, while advancing innovative policy reforms at the state level.

It is more clear than ever that we cannot expect any single Administration to magically eliminate all the threats to open society in the United States, but rather we must continue to invest in a range of strategies at the federal and state levels including expert policy advocacy, direct service, base-building, litigation, research, and public education.

## **II. New, expanding, and shifting areas of work**

**Shift in overall spending:** George Soros has authorized U.S. Programs to propose a budget of \$320 million over two years, with the understanding that the annual budget for U.S. Programs will be \$150 million beginning in 2013. Because of the reduction in the Special Fund for Poverty Alleviation (SFPA) budget, the overall budget for U.S. Programs shows a decrease from 2010 to 2011-12 from a total budget of \$192,817,618 in 2010 to \$168,891,456 in 2011 and \$150,922,941 in 2012. Excluding the SFPA budget, however, there is an increase in overall spending on other U.S. Programs, from \$110,151,607 in 2010 to \$136,233,887 in 2011 and \$143,907,901 in 2012. See Tab 2 for a one-page summary of the proposed budget, showing these shifts, and a detailed breakdown of proposed spending by goal within all of the programs.

**Expanding the budget for the Campaign for Black Male Achievement:** As endorsed by George Soros and the Board during our February and May 2010 Board meetings, the Campaign for Black Male Achievement is becoming a long-term program rather than a time-limited initiative and its budget is increasing significantly. In accordance with feedback from the Board, we are proposing a budget for CBMA that scales up gradually over the next couple of years rather than proposing a higher level of spending in 2011 that tapers down after that (as originally proposed). The increase in CBMA's budget will enable the Campaign to deepen significantly the level of investment in three regions; expand funding on education, employment, and strengthening families; and launch a fellowship program and leadership institute. See Tab 11.

**Expanding support for drug policy reform through a new stand-alone Campaign for a New Drug Policy:** The Campaign for a New Drug Policy brings together and expands our prior work to reform sentencing practices, expand access to treatment, and promote harm reduction practices. The Campaign seeks to generate the public will to move from the "War on Drugs" framework to one that embraces public health, protects public safety, and supports economically sound communities. (In prior years, this work was included within the budgets for the Criminal Justice Fund and the Closing the Addiction Treatment Gap program.) See Tab 13.

**Renewing the National Security and Human Rights Campaign for two years:** With a well-mobilized field, there is still an opportunity to win significant gains in public policy and prevent Bush-era national security policies from becoming the norm. For these reasons, we are requesting an extension of the Campaign for another two years. See Tab 12. A detailed memorandum evaluating the first three years of the National Security and

Human Rights Campaign and proposing goals and strategies for the next two years will be included in the September Board book. The plan and request for renewed funding will be reviewed during a panel discussion at the Board meeting.

**Incorporating the time-limited Neighborhood Stabilization Initiative into a more permanent portfolio within the Equality and Opportunity Fund to advance economic security more broadly in response to the recession:** Because of the ongoing impact of the Great Recession, and the success of efforts seeded through the Neighborhood Stabilization Initiative (NSI), NSI will now become part of a more permanent economic security portfolio in the Equality and Opportunity Fund that will combine work on housing equity with support for efforts to ensure a social safety net. The overall level of funding for the Equality and Opportunity Fund (EOF) shows a decrease because of elevated funding levels over the last few years for two special initiatives housed with EOF, NSI and support for comprehensive immigration reform (discussed below). See Tab 8.

**Shifting immigrants' rights funding, which is included in the budget of the Equality and Opportunity Fund, from a short-term campaign strategy to a long-term field-building strategy:** Support for immigrants' rights remains a top priority for U.S. Programs. The overall level of funding for immigrants' rights shows a decrease because of elevated funding levels over the past few years for support of the Reform Immigration for America Now Campaign. Because short-term prospects for reform are now slim, we are shifting from a time-limited campaign strategy to a long-term field building strategy, which requires fewer resources but will provide more stable funding to advance reform over the long term. See Tab 8.

**Increasing funding for OSI-Baltimore through an agreement to temporarily alter the match requirement:** Between 2006 and 2010, when OSI-Baltimore first began to diversify its funding sources, George issued a challenge grant, offering a 1:2 match for all funds raised from individuals, corporations and other foundations. Under this agreement, OSF has provided two million dollars in funding annually to OSI-Baltimore for the past several years. (OSF also covers certain overhead expenses for OSI-Baltimore.) In a meeting with OSI-Baltimore Board representatives in June, George Soros agreed to temporarily alter the match requirement, and to provide some funding without requiring a match for the next couple of years. OSF will provide a total of \$4,000,000 in funding to OSI-Baltimore in 2011, gradually reducing the total to \$3,000,000 annually by 2015. The proportion of funding without a match will gradually decrease so that OSF's full \$3,000,000 contribution to OSI-Baltimore in 2015 must be matched. See Tab 10.

**Gradual increases in the budgets of core programs to provide more stable funding of organizations that are advancing U.S. Programs' long-term priorities:** During the preliminary budget discussion at the May 2010 Board meeting, the Board recommended meaningful increases for long-term, core programs over the next two years. These increases will be used to expand support for long-term goals as well as to provide seed funding for new areas. The increase in the Criminal Justice Fund budget will provide expanded support to address excessive immigration enforcement practices, the

development of a police accountability portfolio, and additional state-based advocacy. The increase in Democracy and Power Fund budget will expand funding of non-partisan voter engagement to catalyze participation from African-American, Latino, immigrant, and youth communities in particular, and to ensure a fair and just redistricting process. The increase in the Transparency and Integrity Fund will expand support for election reform, judicial independence and journalism.

**Establishing a separate budget line for large anchor grantees to enable more stable, long-term funding and to provide more flexibility in the core program budgets:** U.S. Programs supports approximately nine organizations that advance multiple OSF issues at a level of \$500,000 or more annually. These grantees include Leadership Conference on Civil and Human Rights, Center on Budget and Policy Priorities, Center for American Progress, Advancement Project, Center for Community Change, Brennan Center, and others. To more effectively manage these important grants and to enable multi-year funding, we have established a separate budget line for these grants in 2011-12. See Tab 4.

**Establishing a separate budget line to augment and expand state-based funding:** In the past few years, in recognition of the potential for reform at the state and local level on many open society issues, a number of U.S. Programs began to expand grantmaking at the state level to complement our national grantmaking strategies. We now propose to identify a few key states for increased investment to advance a range of issues, and we seek approval for a separate budget line to augment our existing state-based funding through individual programs. We have drafted a separate memo for the Board, to be included in the September Board book, which proposes a strategy for expanded grantmaking in Louisiana and Texas beginning in 2011, as well as research and development of another 3-4 potential states beginning in 2012.

**Establishing separate budget lines to ensure flexibility for funding future Chairman's Grants and other Board-initiated projects within the U.S. Programs' budget:** To ensure adequate funding within the U.S. Programs budget for grants initiated by George Soros and other Board members, we have created a separate budget line of \$5 million for Chairman's Grants and \$5 million for other Board-initiative projects per year.

**Showing other spending in the U.S. that is not counted within the U.S. Programs' budget "below the line":** To provide a more thorough accounting of OSF spending on domestic issues, we have indicated other U.S. spending not counted against the U.S. Programs budget "below the line" on the budget summary. This line includes the 2011 budget for the Performing Arts Recovery Initiative and a handful of other previously approved Chairman's grants. While the 2010 "below-the-line" figure is aligned closely with actual spending, the 2011-12 figures are less precise because of the nature of this spending. See Tab 2.

### **III. Contracting areas of work**

**Reducing the Special Fund for Poverty Alleviation budget, which will wind down in 2012:** At the May 2010 Board meeting, the Board decided that the budget previously approved for the Special Fund for Poverty Alleviation (SFPA) would be at the Board's discretion to reallocate to other programs as needed. The Board recommended that staff evaluate grants in the SFPA pipeline and make every effort to honor firm commitments and to minimize reputational costs. The enclosed memo provides the Board with a more precise accounting of grants in the SFPA pipeline with analysis of the impact of reducing SFPA's budget, as well as a complete list of all of SFPA's previous and planned grants from 2009 to 2012 under a reduced budget. The Special Fund began in 2009 and will complete its spending in 2012. See Tab 14.

**The Seize the Day Initiative ended in 2010:** As planned, the Seize the Day Initiative will close in 2010. In early 2011, staff will prepare a memo for the Board evaluating the special initiative and summarizing its accomplishments.

**The JEHT Emergency Fund ended in 2010:** As planned, the JEHT Emergency Fund will close in 2010. (The JEHT Fund was included in the international budget though U.S. Programs staff managed most of the grants.) The time-limited initiative enabled rapid response funding in 2009-10 to support existing OSF and U.S. Programs grantees impacted by the sudden closure of the JEHT Foundation in late 2008. The staff has been working with grantees that receive support through this Fund to ensure that they understand the time-limited nature of the funding and to help them through this transition.

**Performing Arts Recovery Initiative will close in 2011:** As planned, the Performing Arts Recovery Initiative will close in 2011. Grantees were identified and given initial grants in 2010. If minimum requirements are met, the same grantees will receive second and final installments in 2011.