

**MINUTES OF THE MEETING OF THE U.S. PROGRAMS BOARD
OF THE OPEN SOCIETY INSTITUTE
May 20-21, 2009**

A meeting of the U.S. Programs Board (the “Board”) of the Open Society Institute (“OSI”) was held at the Open Society Institute in New York, NY, on May 20, 2009 at 2 p.m. and continuing on May 21, 2009, at 8.30 a.m. There were present the Chairman of the Board, George Soros, together with fellow Board Members Deepak Bhargava, Leon Botstein, Geoffrey Canada, Joan Dunlop, Sherrilyn Ifill, Aryeh Neier, Jonathan Soros, Bryan Stevenson, and Ethan Zuckerman.

Attending the meeting by invitation were OSI staff members Maija Arbolino, Ann Beeson, Ricardo Castro, Mimi Corcoran, Karynn Fish, Erlin Ibreck, Laleh Ispahani, Raquiba LaBrie, Diana Morris, Kay Murray, Leonard Noisette, Stewart Paperin, Cristina Parnetti, Stephen Rickard, Laura Silber, Bill Vandenberg, George Vickers, Elisabeth Williams, and Nancy Youman. Also attending by invitation were Gary Bass, John Cavanagh, Sarita Gupta, Clara Miller, Maya Wiley, and Monona Yin.

Ann Beeson served as Chair of the meeting at the request of George Soros.

Ms. Beeson welcomed the Board and guests to the meeting. The minutes of the U.S. Programs Board meeting of March 4, 2009, were offered for approval. Upon a motion duly made, seconded and unanimously carried, the Board approved the minutes.

Ms. Beeson introduced the theme of the meeting: to inform the Board about U.S. Programs’ current efforts to address the economic crisis and to discuss additional strategies for doing so. The agenda was organized around three discussions: 1) OSI’s newly created Special Fund for Poverty Alleviation; 2) non-grantmaking strategies to support grantees; 3) advocacy efforts to achieve equity in the economic recovery process.

Ms. Beeson described various efforts U.S. Programs has made during 2008-2009 to address the impact of the economic downturn: the two-year, \$10 million Neighborhood Stabilization Initiative; the Seize the Day initiative, which, in addition to focusing on the transformational political moment, also prioritizes equity and transparency in stimulus spending at the state level; the \$10 million JEHT Emergency Fund; the new \$250 million Special Fund for Poverty Alleviation (which was more fully discussed later in the meeting); and an emergency fund to relieve struggling New York City arts organizations, which Board member Leon Botstein is working with U.S. Programs staff to develop.

There was a brief discussion about the impact of OSI’s efforts thus far, as well as that of the Obama Administration’s \$50 million Social Innovation Fund. Geoffrey Canada expressed concern about the impact of the economic crisis and the related decline in investment in poor communities. As the social and economic fabric of these communities begins to shred, the likelihood of stringent measures such as increased police activity in these neighborhoods will increase. It is therefore critical that OSI focus on the most vulnerable communities during this period.

Mr. Canada then introduced a discussion about the Special Fund for Poverty Alleviation (SFPA), which was created by OSI to leverage public funds to help preserve and strengthen the safety net for people falling into poverty. The SFPA fund is aiming to make grants requiring a 4-to-1 match, potentially leveraging \$1 billion dedicated to helping people in poverty. Advisors to this initiative are board members Mr. Canada and Mr. Bhargava and Robert Greenstein, Executive Director of the Center on Budget and Policy Priorities. Ann Beeson, Mimi Corcoran (the director of the SFPA) and Diana Morris presented the discussion. Ms. Corcoran presented a strategy focusing on the selection of six states where the SFPA would aim to leverage federal Temporary Assistance to Needy Families (TANF) funds. There was a lively discussion among the Board about the tension between working in partnership with government agencies to leverage their resources, and the accompanying bureaucracy that can delay the timely disbursement of funds to needy families. The Chairman stressed the importance of prioritizing timely disbursement of funds. It was also noted with concern that TANF excludes many impoverished people about whom OSI is especially concerned: prisoners and the formerly incarcerated, immigrants, and people without children, for example. There was also discussion about the benefits of one-time cash assistance, (for example, a back to school allowance for needy families), as opposed to a focus on systemic change to ensure that the safety net protects a broader population of vulnerable groups.

Ms. Morris addressed particular issues of concern to OSI-Baltimore and presented specific ideas for leveraging public funds to increase employment opportunities for young people and low-income adults; increase health care for the homeless and the drug addicted; promote rehabilitation of ex-prisoners; and assist workforce development. Ms. Morris suggested that SFPA dollars could leverage not only public funds, but those of other philanthropies such as the Annie E. Casey Foundation.

Ms. Beeson outlined the ways in which U.S. Programs has over its 12 year history focused on strategies that leverage public and private funding to ensure that public policy addresses the needs of historically marginalized groups. Currently, a major focus of U.S. Programs is on ensuring equity and transparency in the economic recovery and on marshalling our investments in grassroots support as well as in our policy-related efforts.

The next session, entitled “Strategies to Strengthen Organizations and Field Capacity in Challenging Times,” was moderated by Jonathan Soros, who introduced the discussion by stressing the importance of U.S. Programs getting clarity on the actual challenges nonprofits are currently facing in order to determine their capacity needs. In addition, he stressed the importance of OSI distinguishing short-term initiatives from a longer-term approach. The invited panelists discussed the impact of the recession on the nonprofit landscape, highlighted the forms of technical assistance available to the field and individual organizations, and suggested changes in grantmaking practices to ease the financial burden on grantees.

Clara Miller, the director of the Nonprofit Finance Fund, provided an overview of a March 2009 survey of 1,000 nonprofits that provided useful data for funders. Of the

groups surveyed, 92% expected to operate at a deficit in 2009; nearly half were freezing hires, reducing benefits and programs and/or contemplating mergers and other collaborations. The surveyed groups hit hardest by the economic downturn include media, arts and advocacy organizations. It was suggested that funders need to change some of their current practices to consider longer-term investments while ensuring the organizations they support are staying true to their core missions.

Monona Yin of the Four Freedoms Fund discussed lessons learned from the FFF's capacity building initiative, which is focused on immigrants' rights groups. This initiative, which predates the recession, has focused on providing funding and peer learning opportunities to relatively small immigrants rights groups. Despite the initiative's initial investment in capacity building, however, the economic downturn presented major additional challenges to these groups. Ms. Yin suggested several considerations for OSI in designing effective strategies to assist its grantees: organizations are often hesitant to tell their funder bad news, so foundation staff needs to ask pointed questions that will illuminate organizations' operational health; funders should provide timely and practical help to grantees as well as support for field building; and they should consider providing a range of tools for grantees to use, such as online resources like webinars. Other recommendations resulting from the discussion are to offer training to OSI staff on how to communicate more effectively with executive directors; provide planning grants; consider more general support grants; encourage grantees to build reserve funds; provide recession support to all grantees; provide working capital to allow groups to experiment; and be cognizant that organizations struggling to survive might not be able to consider longer term strategic planning.

Following the end of this session and the departure of the invited guests, George Soros suggested that Clara Miller might be invited to join the advisory board of the Special Fund for Poverty Alleviation. Mr. Soros also shared his reflections about his recent visit to a public school in Baltimore. He was struck by hearing about the negative impact of the No Child Left Behind Act and proposed that consideration be given to finding ways to link NCLB policy reform to lessons learned from OSI-Baltimore's work.

The Board meeting broke for the day until the following morning.

The meeting resumed on May 21, with John Cavanagh of the Institute for Policy Studies (IPS) moderating the discussion titled "Achieving Equity in the Economic Recovery," which examined the disparate effects of the U.S. financial crisis on low-income communities and communities of color, based on such indicators as the unemployment rate, foreclosures and evictions, depressed wages, and decreased job benefits. The panelists were Maya Wiley of the Center for Social Inclusion; Sarita Gupta of Jobs with Justice; and Gary Bass of OMB-Watch. Mr. Cavanagh began by noting that just as the Gilded Age - with its hallmark inequities - was succeeded by the Progressive Era, largely because of the efforts of unions and others, we too might be able, through economic, political and social reform-focused movements, to turn the current crisis into a recovery that brings about increased economic equality.

Ms. Wiley commented that current strategies might include working with unions but that our efforts should not end with them, because some unions are segregated by race and gender, and there are few in the south, where large swaths of communities of color reside. Ms. Gupta noted that while community organizers historically have not had a seat at policy tables, they are forming thoughtful “inside/outside,” long-term focused relationships and partnerships. These groups are working with similar-minded networks such as the Inter-Alliance Dialogue, so that they can represent significantly larger populations of poor and low-income communities at policy tables. They are also partnering directly with groups that have the capacity to engage in policy advocacy, such as IPS.

Addressing how states are spending the stimulus monies they have received, Mr. Bass began by explaining the components of the stimulus: federal tax cuts, expansion of unemployment benefits and other social welfare spending, and spending in education, health care, and infrastructure including the energy sector. He advised that advocacy groups target their monitoring strategies to the type of funds or programs of concern to them. Mr. Bass said that these groups should monitor waste, fraud and abuse, and, as important, the quality of programs. The panelists agreed that state-specific strategies were needed and noted that groups were beginning to engage in front-end organizing before the money has reached states by developing common principles for transparency and accountability in spending, including the disclosure of selection criteria and reporting standards.

Mr. Bass also suggested that transparency requires getting the right kinds of data and the tools to convey that information. For example, without information on grants and all sub-grants, information that is currently unobtainable, it is impossible to determine whether the distribution of stimulus dollars is equitable. Ms. Wiley mentioned that the Opportunity Agenda and the Leadership Conference on Civil Rights had distributed a circular to OMB advising that when states spend federal funds, federal law requires them to comply with the civil rights laws. In discussing how groups might avoid duplicating efforts on monitoring and analyzing stimulus spending, panelists suggested they were less concerned about groups engaging in duplicative work given the rapid fire pace of events; they suggested that duplication might even be good in such circumstances, but highlighted that coordination among the groups was key, as groups need to leverage each others’ work. Ms. Wiley noted that groups need to be funded to coordinate their work. Ms. Gupta thought this work gave funders an opportunity to invest in state-level infrastructure.

Moving to other opportunities to promote economic equity, Ms. Gupta mentioned workers’ rights issues, including labor law reform; state workers’ bills of rights; state level Warren Acts; and unemployment insurance; as well as budgets at state levels and financial regulation. Beyond the stimulus, Ms. Wiley emphasized the enormous strategic opportunities in the economic recovery to rectify years of communities of color being “finance deserts” by creating incentives for investment in these communities. For example, the government should shift access to credit to grow wealth and political power

in long overlooked communities, incubate green businesses, and provide access to credit for housing.

The Board then returned to its conversation about the Special Fund for Poverty Alleviation. Mr. Bhargava introduced the discussion of how best to leverage the funds. Several ideas were presented, including a contingency fund that states have access to and can draw down on, using private matching funds, and using some private funds to incentivize states to make enduring structural changes to safety net structures, such as TANF.

There was some debate about the need to use the Fund to provide timely relief – which would mean disbursing the funds in a speedy manner – versus the need to use it to impact longer term structural reforms such as the framework of some federal programs. George Soros said the idea of the Fund was to provide direct relief in the near term, but that the monies could also empower the needy with a bigger voice in such longer term systemic change issues, perhaps by empowering advocacy grantees OSI already funds to promote necessary improvements to the system. There was debate about whether to give to state governments, and if so, how to choose the states and the programs; about how some substantive reforms could be negotiated while others would require legislation, which OSI funds cannot support; and about the fact that some states with the greatest need might reject federal stimulus funds. Some board members flagged concerns about running into problems once we start negotiations with a state. Ms. Wiley suggested seeking guidance from state tables on which programs need the most support.

The Board then continued to discuss the role of OSI-funded advocacy groups, specifically, whether the Fund should support some social safety net advocacy work in addition to funding direct services. George Soros said he thought the Fund could take a two track approach, in which OSI negotiates concessions from the states and provides support to advocacy groups. Ms. Wiley suggested a possible third track: to build advocacy around the significant amount of federal rulemaking currently underway. George Soros suggested the Fund's focus be limited to a few states since the amount, while large, is still not sufficient to the overall need. He suggested the states we choose might be split as follows: states where OSI has some history of collaboration, such as New York and Maryland, and other states with a high level of need that are rejecting some stimulus funds, where the Fund's money could be a lever for change by directing support to existing advocacy groups in those states. Ms. Corcoran opined that the Fund needs a set of criteria that form a baseline of negotiations with all the recipient states.

Some Board members expressed concern about using money as a reward for state governments' current practices with respect to their citizens living in poverty. Ms. Beeson pointed out that the need to reform bad programs has existed for some time, and that expanded funding of advocacy around safety net issues with some direct services funding in 'recalcitrant' states may be the best solution here. George Soros said he thought a north-south focus made sense, including some negotiation with state governments, and that he felt comfortable with the current structure in New York.

Maria-Teresa Rojas then described a \$2 million grant request to support the National Immigration Forum's efforts to build and execute a broad-based immigration reform campaign. Mr. Bhargava, a steering committee member of the effort, recused himself from voting on this proposal. After discussion about the grant, including observations as to the comprehensive, inclusive nature of the campaign and the fact that immigration issues are likely to remain hotly debated this summer and fall, the grant was approved.

Dated as of September 15, 2009

Ricardo A. Castro
General Counsel and Secretary