

Potlatch Fund



Opportunities and Challenges in Relation to the Funding of Northwest Native Communities.

Potlatch Fund
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1.0 Introduction

- 1.1 Potlatch Fund is a Native led community foundation which has a mission to increase philanthropy in Northwest Indian Country. The Harvard Project on American Indian Economic Development has shown that Native American causes and concerns receive only very modest funding from major foundations, and that these funds are received for a limited range of purposes and are primarily received by a limited range of groups (Hicks and Jorgenson, 2005). The recent study released by the Greenlining Institute supports the earlier Harvard Study findings and may even reflect a further reduction in funding from major foundations to Native American Communities (Greenlining Institute, 2006).
- 1.2 We live in a country where there are increasing expectations that communities should develop the resources and capacity to look after their own needs. This is not just a trend apparent in the United States. Governments around the world have been withdrawing from the provision and support of essential social and community services. Communities have therefore been compelled to step into the space vacated by Governments in order to properly address their needs.
- 1.3 The level of rising community needs has also compelled both organized and individual philanthropy to become involved as these functions transfer from Governments to communities. The funding from such sources has often provided the breathing space for communities to become organized, develop responsive services and build sustainable service models.
- 1.4 The Johns Hopkins Comparative Nonprofit Sector Project has reported a literal explosion in non-profit associational activity. For example, in eight countries for which time series data was available employment growth was three times faster in the nonprofit sector than the overall economy (Institute for Policy Studies and Center for Civil Society Studies, accessed on October 18, 2006).
- 1.5 Native American communities have significant and mostly unmet needs. These communities tend to be at the wrong end of every major social statistic. In such an environment it would be expected that there should be a groundswell of community organizing, and philanthropic funds should be pouring in to assist with the development of responsive services. This is not the case.
- 1.6 What is apparent is that in the face of almost overwhelming need the expected support systems are nowhere to be seen. This situation has been allowed to persist over generations. Possibly this situation has been allowed to persist because it mostly happens outside of the public domain. Native Americans who live on reservations live in communities significantly disconnected from mainstream communities and services. Whilst Natives are acutely aware of the needs that exist within their communities this information is not widely known or

understood in the wider world. Similarly the services that are often taken for granted in the non-native world are most likely absent in the Native world.

- 1.7 There is no one cause for this lack of action. Neither is there one solution. However, what we do know is that the following factors have served to lock in place the current untenable position:
 - a. many philanthropic entities do not understand Native American structures.
 - b. often Native American structures are cumbersome and have reduced or shared accountabilities.
 - c. many people and some philanthropic entities wrongly believe that there is no need to fund into Native American communities as:
 - i. the US Government should support these communities (or does support these communities) as part of its treaty obligations.
 - ii. the presence of tribal casinos means that the community is wealthy and can look after its own needs.
 - iii. these communities are separate Nation States.
 - d. the past history of being funded through the Bureau of Indian Affairs, other federal sources and some philanthropic entities has left Native American communities feeling disempowered.

- 1.8 In this report we will endeavor to chart a path forward for Native American communities which:
 - a. identifies the challenges and outlines opportunities that can unleash new resources for Northwest Native communities
 - b. will identify and evaluate strategies to increase the success and sustainability of Native communities.
 - c. educates both mainstream philanthropists and Native leaders on the state of Native philanthropy.
 - d. will highlight the potential of Native philanthropists to shape their own communities and strategies for increased resources to Northwest Indian Country.
 - e. develops an action plan which will emphasize collaborative steps to take in removing key barriers to philanthropic giving in Northwest Native communities.

2.0 Philanthropy in Native American Communities

- 2.1 The Hicks (et al, 2005) study Grantmaking to Native America concentrated on the funds flowing to Native American groups from the 900 largest foundations in the United States. The study showed that in the period from 1989 to 2002 major foundations had committed between 0.230 and 0.343 percent of their resources to Native American causes and concerns. They acknowledged in their report that their methodology excluded individual donations, grants from smaller foundations, corporate, tribal and casino support. They however made the point that the sources that they had reviewed represented such a substantial share of the total philanthropic resources that all of the other sources combined would not significantly change the overall poor picture of giving to Native American communities. On this basis they noted that if it was possible to include smaller foundations and other smaller grants then it would still be unlikely that the amount donated would exceed 0.5 percent of total foundation resources.
- 2.2 The overall poor picture of giving is the concern of this report. As such we take the widest definition possible in terms of our understanding of the meaning of the word philanthropy. In essence our definition of philanthropy encompasses all aspects of voluntary contributions of funds to Native American groups or causes. These contributions may come from Native or non-native sources, from foundations or corporations, from individuals, from Tribes and from Tribal Casinos.
- 2.3 Our aim is to increase the philanthropic flows into Indian Country from the entirety of these various sources.
- 2.4 In pursuing this aim we seem to be rowing against the tide. Research on foundation giving to communities of color shows a consistent decline in grants over the first half of the decade. Independent research carried out by organizations as diverse as the Greenline Institute, the Foundation Center and the National Committee for Responsive Philanthropy are all reporting similar results with declines in grants to communities of color ranging from three to seven percent. Anecdotal evidence also shows less grants being made to communities of color, less big grants to these communities and fewer grants which can be considered to be a strategic investment in their capacity (The information in this section is derived from a presentation made by Henry Ramos, a principal of Mauer Kunst Consulting, in Seattle on December 4, 2006).
- 2.5 The following section highlights a number of the reasons why the level of foundation giving to Native American communities is low, and why it will be difficult to make short term changes to this trend.

3.0 Challenges to Increasing Philanthropy

- 3.1 We start from the point of view that there is high level of competition for every philanthropic dollar that exists. It is not uncommon for foundations to receive requests for funds which are several hundred percent higher than the funds that they have available for distribution. Every foundation necessarily responds to the mismatch between the demand and supply of funds by undertaking some form of rationing. The following are a range of rationing techniques used by foundations:
- a. pro rata requests down to the available funds.
 - b. limiting the types of projects, groups or activities that can be funded.
 - c. requiring high levels of detail and grant seeker capability.
 - d. not allowing unsolicited requests.
 - e. not publicizing the existence of the foundation.
 - f. imposing bureaucratic controls on the funding process.
- 3.2 There is nothing wrong, per se, with any of these procedures. They are an absolutely necessary response to the gross over demand to which the foundations have to respond. The consequences of these procedures can be more problematic though. Those groups who are not confident about applying, that are not confident about challenging grant decisions, that exist outside of the grantmakers networks and which also look in somewhat different all tend to have less success in such a competitive environment. The following sections highlight a range of issues which have been noted as reasons why Native American groups have had less success in receiving funds from traditional philanthropic entities:
- 3.3 Understanding of Native American structures.
- a. Native American Tribes that have signed Treaties with the Government of the United States of America have a hybrid legal status. To some extent they are seen as being Sovereign States in their own rights. In effect this view of their structures perceives Tribes as being Nation States existing within a Nation State. This situation could be seen as being analogous to the situation of the Vatican which is seen as being a separate Nation State that sits in a defined area of Rome within the Italian State.
 - b. We have called this a hybrid legal status as the legislation establishing the Statehood of the Indian Nations is itself part of the legal framework of the United States of America. As such the Indian Nations have a very narrowly defined Statehood which is both defined and constrained by the Government of the United States.
 - c. Notwithstanding the limited nature of this Statehood many foundations will not consider making grants to Tribes because they perceive these

Tribes to be separate Nation States. These foundations would also not consider making donations to other Nation States, however it just so happens that the adoption of such policies impacts on significantly disadvantaged population who live within the United States and who are full citizens of the United States.

- d. Some foundations only fund non-profit groups with an IRS approved tax exemption status. Non-profit groups in the United States can apply for tax exemption from the IRS and they receive such an exemption pursuant to section 501(c)(3) of the tax code. Native American Tribes can, and do, also apply for and receive this tax exemption status. However, there is a feeling within Tribes that as a Nation State they should not be compelled to apply to an administrative arm of another Nation State for such tax exempt status. The lack of 501(c)(3) status is a reason that many foundations will give for not considering an application from a Tribe.
- e. Tribes can establish Tribally approved non-profits entities. Such structures recognize the Tribes sovereign right to organize, however they are also administratively cumbersome, still need to have tax exemption status approved by the IRS, and also represent a structure that a foundation may not understand.
- f. The reality of the different structures that exist within Native American communities means, absent a significant donor education campaign, that these communities will always start the grant seeking process at a disadvantage. Many of their grant requests will be declined unread because they do not have the 501(c)(3) status. It is clear that there is no legal impediment to foundations making grants to Tribes or to Tribally recognized non-profits that have been approved by the IRS. However these structures are not recognized by many foundations and in reality their program officers do not have the time to do the research to understand these different structures. Even if a foundation accepts applications from Tribes and Tribally approved non-profits this fact is not always made clear in their supporting literature. If the supporting literature produced by a foundation does not specifically mention the kinds of organizational structures common in Native American communities – then those structures appear to be excluded from their consideration. As such these structural factors, which should not be barriers, are proving to be so.

- 3.4 Native American structures are subject to different accountability arrangements.
- a. Even if a foundation will fund a Tribe or a Tribally recognized non-profit they may not be happy with the decision making and accountability provisions that exist within those structures.
 - b. Foundations tend to fund clearly proscribed projects or causes. It is a common clause of most grant agreements that funds will be used for the purposes which they have been granted and that unused funds will be returned to the granting foundation.
 - c. The ability for foundations to enforce these provisions is difficult when they make grants to Tribes with sovereign status and to Tribally recognized non-profits.
 - d. It also needs to be noted that, in comparison to 501(c)(3) groups, Tribally recognized non-profits have significantly limited autonomy. A Tribally recognized non-profit can be directed, wound up, refocused, and have its directors changed by the Tribe. Such non-profits can also be very slow to respond to new and evolving situations as they need to have all of their activities approved by the Tribe. Furthermore, Tribally recognized non-profits can be very susceptible to the impact of policy alternations caused by the changing makeup of their elected Tribal councils.
 - e. Foundations in these circumstances have to take it on faith that their grants will be properly used as their recourse to legal remedies are murky at best.
 - f. Whilst this seems to be a sound reason as to why foundations may be less likely to fund such structures, the reality is that all foundation grants require a similar leap of faith. If a foundation gives a traditional 501(c)(3) a grant and the funds are applied to the wrong purpose then it is very hard for the foundation to recover funds that have been spent. Even if a 501(c)(3) has been proven to have acted in bad faith more often than not there are no assets remaining for the foundation to recover. Foundations are also adverse to such actions as they are very expensive and tend to reflect badly on all parties involved.
 - g. It also needs to be recognized that Tribal accountability structures can also be significantly more robust than traditional 501(c)(3) structures. For example, most Tribes because of their size and federal funding have very robust financial systems.
 - h. The desire for future grants is often the best mechanism available to encourage accountability. For example “I will be as accountable as I can

be with this grant because I value the relationship and wish to have access to the next one”. However, this truth is often forgotten in relation to the grants being considered for Native American groups.

- 3.5. Native American communities are well off and as such do not need funding.
- a. A point that we will keep coming back to in this report is that foundations are under immense pressure to ration their funding in some way. As noted above, if the Native American applicant looks structurally different or if they look as if they have less robust accountability then these matters can give foundations reasons to decline such applicants.
 - b. This next range of reasons for reduced foundation support have a different basis. Essentially if a foundation believes that there are other funding sources that will fund the grant then that is a reason for them to reduce the application’s priority. Put bluntly if Funder A is aware that Funder B will fund a project, then that removes the pressure on Funder A to be involved. Funder A can then concentrate their limited funding on other areas.
 - c. This kind of logic has an invidious impact, as it also sends the message to groups that their projects and causes are of lesser value. After a while groups internalize the message that both they and their projects are of lesser value, and consequentially they stop applying.
 - d. There are two common reasons given for this belief that Native American communities have less need for foundation resources. Each of these reasons will be discussed in more detail below, and in summary they are:
 - i. the Government should support these communities (or does support these communities) as part of its treaty obligations.
 - ii. the presence of Tribal Casinos means that the communities which have such Casinos are wealthy and can look after their own needs.
 - e. The issue of Governmental responsibility is particularly thorny. From a foundation perspective if a Government is obligated to provide some form of service then foundations will draw a demarcation line and be clear that that service is not their responsibility. Foundations have to do this as even the resources of the largest foundations pale into insignificance in relation to the resources of the State.
 - f. Through the series of Treaties that were signed with Tribes the United States Government has in effect entered into a number of promises about the services that it will deliver to those Tribes. If we take health as an issue, the Government has promised to provide for the health care of Native Americans. If a Tribe applied to a foundation for the cost of, say,

establishing a hospital, then the foundation could say that this is the Government's responsibility and as such decline the grant request.

- g. In our experience the opposite also happens. Native American Tribes will not seek grants for such expenditures because they also believe that the project is a Governmental responsibility. Their point of view is that external funding would allow the Government to renege from its Treaty responsibilities.
- h. The reality though is that the history of Governmental/Tribal relationships in this region (and for that matter throughout the country as a whole) is one of the Governmental both failing to follow through in relation to its Treaty obligations and also absolutely breaking agreements made. If we revert to the issue of health, it is a fact that Tribally enrolled Native Americans have access to the Governmentally funded Indian Health Services. It is also a fact that these health services are sometimes held in poor esteem by Native Americans and that if they had the other health options then they would take them (e.g. employer provided health insurance).
- i. The reality of life for many Native Americans does not even get close to the image of a people wrapped in the blanket of the Government's tender embrace. Unemployment numbers on many reservations reach and often exceed 50 percent. Health statistics are dire. The impact of addictive diseases is incredibly debilitating. The quality of housing is poor. Many houses on reservations would be condemned in other locations. Many houses still do not have power, plumbing or indoor toilets. The average age of death is markedly lower, and the impact of all of the above has serious impacts on mental health (The Center for Social Change provides a good overview on the significant areas of socio-economic deficit experienced by Native communities in America today).
- j. In any other community the intersection of such deleterious factors would be a call to arms to the philanthropic world. In the last several years we have seen tremendous outpourings of philanthropic support following both terrorist attacks and natural disasters. In these circumstances people and institutions felt compelled to give, because they wanted to be part of the solution and because they also recognized that the problem was bigger than the Government's ability to respond. In such circumstances we acknowledge that we just can not shrug our shoulders and say that these issues should be left up to the Government. If we wait for the Government to respond then we will lose generations of hope. Yet for many Native American communities this is exactly what is happening. The disasters being experienced in Native American communities may not be nearly as dramatic as a hurricane or a tsunami or a terrorist attack however the results of those disasters are.

- k. There is also a misperception that foundations do not need to support Native American communities because Tribal Casino operations produce significant profits and that the profits from these Casinos mean that Native American communities are wealthy. This is not the case. Of the 563 federally recognized Indian Tribes, less than half (226) are involved in gaming. 20 Indian gaming operations produce 55.5 percent of all Indian gaming revenue. The remaining 96 percent of gaming operations share the balance of 44.5 percent of the revenues. It can be argued that the top 20 gaming operations are profitable and have funds that may displace, somewhat, the need for other philanthropic funds. However the other 96 percent of gaming operations are not in this category (Native American Rights Fund, 2006).
- l. All of the income from even these low profit casinos is channeled back into the local community. King and Kanzler (2002) show that proceeds from the operation of tribal casinos tend to be used as follows:
 - a. Tribal administration and governance - 10 to 35 % of revenues.
 - b. Social and health services – 30 to 35% of revenues.
 - c. Land acquisition - 10 to 35% of revenues.
 - d. Economic diversification and Investment – 10 to 35% of revenues.
 - e. Charitable contributions to communities – 2 to 3+% of revenues.
- m. The King (et al, 2002) study also showed that in Washington State in the period from 1993 to 2001 78 percent of the funds available for distribution as charitable contributions to communities were actually provided to Counties, Cities, Fire and EMS services and to the Washington State Patrol. As such instead of helping their own non-profit communities to cope with the unmet needs Tribal Casinos are giving the majority of these contributions to support the wider community.
- n. The development of Tribal Casinos has in most cases given Tribes an economic base which has allowed them to move their Tribal management onto a more professional footing. These casinos have not, and can not, provide the capital necessary for needed infrastructural development (Native American Rights Fund, 2006). As we have also seen the operation of these casinos have not been a boon to Native American non-profits. In part this is because a very small share of revenues is actually made available for charitable contributions, and of this small share an even smaller share (something less than 22% of available funds) is made available for Native American non-profit projects (King, et al, 2006).
- o. It is therefore our argument that the presence of Tribally owned Casinos should not reduce the priority given to grant applications from Native American communities. In some respects the presence of these Casinos actually increases the demand for funds, as the Casinos have funded a

huge increase in Tribal planning, which in turn has started to explicate the very expensive and often unmet infrastructural and community needs within Native American communities.

3.6 A sense of being disempowered.

- a. We recently held discussions with a major Northwest “High Tech” Corporation about encouraging employee giving for Native American causes and projects. The advice that we received was that we needed to have compelling stories, stories where people had overcome adversity, stories where there was some high tech link, we needed to embellish the stories with powerful images and then make the promise that if funded we can do more of the same. We also needed to shout out our merits to the group as it is the loudest and most powerful voices that are heard.
- b. Foundations tell us similar things. They tell us that they want to fund projects that will make a difference. They want new and innovative approaches. They want quick decision making and very tight accountabilities.
- c. The way that you have to be to present yourself successfully to foundations and corporations does not sit easily with Native American groups. Their history is that the Bureau of Indian Affairs (BIA) or the federal Government will tell them what to do, and they are often powerless actors in the process.
- d. Often times the work involved in bringing in a federal grant outweighs the funds received. Often by the times funds are received the need for a project may have changed, however it is next to impossible to change an approved project. Often projects are only partially funded so to undertake the work necessary to complete the project requires groups to have to forego other activities.
- e. Foundation grant processes tend to be much simpler than federal or BIA processes. However, we have the very real sense that all grant writing is approached with the same feeling of dread. The commonly voiced concern to us is that “the process is torturous, and in the end they don’t want to fund us – we aren’t good enough to compete”.
- f. A related issue is that the grant seeking process can be an emotionally draining experience. When you do the work to tell your story and then have your grant request declined it feels as if your story has been in someway invalidated and declined along with the grant request. We have been advised of evidence from Pacific Island communities that this level

of potential emotional harm is a reason in of itself for not applying for grants (personal communication with the J.R. McKenzie Trust).

- 3.7 Foundations do not perceive the mismatch between funding and needs.
- a. People who establish foundations, people who set the granting directions for foundations and the program officers who do the leg work for foundations are not bad people. In fact they are the exact opposite – they have commitments and passions and they are all forgoing resources and opportunities available to them to implement their views of a better world. One of the reasons that overall giving to Native American communities is low is that foundations believe that they are indirectly supporting Native populations. A foundation that gives a major grant to a university or a hospital believes that Native communities will have equal access and will share in the benefits that derive from those grants.
 - b. However this is unfortunately not the case. Native communities are now so far behind in every major social indicator that the chances of a Native person benefiting from say a university program is incredibly low and demonstrably lower than the chances of a non-native person. Services concentrated in Urban areas do not benefit Natives on reservations. Services that benefit people across a lifespan do not take account of the fact that Native Americans have one of the lowest average death ages in the United States. In South Dakota for example, the average age at death of a Native American is 58 (Harvard Initiative for Global Health Press Release, September 11, 2006).
 - c. Even when services are made equally available to Native and non-native communities, non-natives are less likely to avail themselves of the opportunity to receive those services. The services may not be in the right place, may not be culturally appropriate to Natives and may require Native peoples to act in ways which are not consistent with their beliefs. We were recently advised that many Natives do not participate in the Tent Cities which have been established for the homeless and which operate in the Seattle metro area. Native peoples in our area are overrepresented in the ranks of the homeless, however the rules for the operation of the Tent Cities in effect exclude many homeless Natives.
 - d. Foundation processes also often exclude grants to small organizations because the foundations do not have the resources to manage a large portfolio of small grants. Such policies, whilst again being understandable, once again count against Native communities, which are more often than not small, and which can achieve immense amounts with such small grants.

4.0 Opportunities for Potlatch Fund to Help Increase Philanthropy

4.1 The opportunities to increase philanthropy in Northwest Indian Country in essence are largely the flip side of the challenges discussed in the previous section of this report. For example, if a challenge is that foundations do not understand Native American structures then there is an opportunity to educate foundations about such structures.

4.2 The following table summarizes the challenges discussed in the previous section and also highlights potential Potlatch Fund responses:

Challenges	Opportunities for Potlatch Fund (PF) Response
Foundations are not aware of Native American structures.	PF to produce and disseminate resources which summarize and explain in an easily understandable form the various kinds of Native American (NA) structures in the Northwest.
Foundations as a matter of policy will not fund Native American structures.	As part of the above paper PF should provide clear advice that there are no legal impediments to the funding by foundations of NA legal structures.
Foundations will fund Native American structures but this is not explicitly publicized.	PF to highlight this issue as part of the above paper.
Foundations are concerned about the accountability provisions for Tribes and Tribally approved non-profits.	PF to provide examples of the enhanced accountability that can occur within NA structures when there is clear communication provided.
Traditional structures can be unwieldy, lack responsiveness and be susceptible to external interventions.	PF to produce materials which 1. highlights good management practices for Tribally approved non-profits, and 2. provides guidelines for the establishment of 501(c)(3) non-profits.
The Government should be (or is) funding the needs within Native American communities.	PF to work with other parties to highlight the needs within Native American communities.

Challenges	Opportunities for Potlatch Fund (PF) Response
Tribal Casinos reduce the need to fund Native American communities.	PF to work to produce information which clarifies the actual funding from Tribal Casinos to Native communities and also highlight exemplars of giving to Native communities.
Native American communities approach external funding with a sense of dread.	PF to continue to run Journey to Successful Fundraising (JSF) workshops and give consideration to expanding the numbers and types of trainings provided.
Native American communities have a sense of being disempowered.	PF to provide resources and support that facilitate the creation of 501(c)(3) non profit entities.
The grant seeking process can be damaging to those involved with it.	PF seeking as part of its trainings to emphasize the realities of grant processes.
Foundations do not see the true extent of the funding mismatch.	PF to continually provide information and stories which highlight the under funding of Native communities.
Many groups are too small to apply to foundations.	PF to continually provide grants to small and emerging non-profits and also seek increased pass through funding from foundations and other funding sources.
Non Tribal organizations are perceived as a threat to Tribes.	PF to continue to work with Tribes to outline the benefits of the separation of functions.
Native trainees are reluctant to attend/take advantage of mainstream training opportunities	PF to continue to provide culturally appropriate trainings.

5.0 A Bottom Up Approach To Increasing Philanthropy

- 5.1 As noted in the introduction the Johns Hopkins Comparative Nonprofit Sector Project recorded a virtual explosion of associational activity over the last decade or so. Numbers of non-profits, the size of non-profits, the types of non-profits and the number of people employed by non-profits have all seen significant increases.
- 5.2 Many non-profit commentators see the increase in associational activity as being important for democracy and the overall health of a society (see for example Putnam's work on social capital, as summarized by Smith, 2005). Associational activity is the process where people come together as a group to achieve an outcome that could not be achieved without the group being present. A neighborhood walking group is an associational activity as the group provides camaraderie and friendship that would probably not exist outside of the group. A street beautification group is an example of an associational activity, as is a soccer club, a knitting circle, a labor union and a political party.
- 5.3 Many of the Native communities that we deal with are unique because of the lack of these forms of associational activity. This same trend has also been seen within the Cherokee Nation (see for example Weiser and West, 2006, p. 11). To the extent that such activity does occur then it appears to be undertaken by the Tribe. Many of the Tribes in the Pacific Northwest are directly involved, for example, in the provision of child care, and language preservation, and youth clubs, and senior clubs and transportation projects.
- 5.4 Tribes have, over time, therefore become quite multi-faceted, somewhat amorphous and often bureaucratic operations.
- 5.5 When a new need arrives in a Tribal community often the first response is to ask the Tribe to respond to that need. This has meant that over time the resources of the Tribe have been stretched in a whole variety of ways and at times the responsiveness of Tribes has been somewhat wanting. When Tribal or family politics become factored into Tribal service delivery then the Tribal responses can sometimes be even counter-productive.
- 5.6 This same tendency does not happen in the non-native community. When a new need is apparent in a non-native community the first response is almost never to go to the Government to see how they will respond. If the need is strong enough then the community will organize to find a response. They will often form a committee, undertake research, seek funding and start responding.

- 5.7 Non-profit associational activity is so compelling because it is grass roots. It in effect is the next step up from a family looking after its own needs. It extends the concept of a family to the village with shared benefits and shared responsibilities.
- 5.8 At Potlatch Fund we want Native Communities to come to the realization that they already have all of the necessary skills, resources and knowledge to respond to the issues that face them. We want to encourage them to organize through the establishment of independent non-profits which can then provide services needed in their communities. These non-profits may well be part of the Tribal structure or they may well be truly independent. The important thing from our perspective is that they need the necessary autonomy to set their own work plans and directions.
- 5.9 What we aim for is an explosion of non-profits and associational activity within Native communities. We will lead this explosion by educating interested people so that their non-profits have a much greater chance of success.
- 5.10 These new non-profits will then in turn lead the demand for new funds from philanthropic and Tribal sources.
- 5.11 The following section provides examples of non-profit projects in Indian country and the very effective relationships that have been developed as a result of the work being undertaken by Potlatch Fund.

6.0 Examples

6.1 Lummi Nation Cedar Project

- a. The Lummi Nation is based in the Northwest corner of Washington State in the area currently known as Western Whatcom County. The Lummi Nation comprises more than 4,000 enrolled members of which 44 percent are under the age of 25.
- b. The Lummi Nation is concerned about the loss of Tribal and cultural identity including the loss of the Lummi language. The Tribe also recognizes the need for young people to take a greater leadership role in all aspects of tribal affairs.
- c. The Lummi Nation has had a number of successes with the development of education programs that run from pre-school through to associate degree standards.
- d. However, the Lummi Nation also recognized that many of the problems common to youth on reservations were also apparent within their community. These problems included unemployment, drug and alcohol abuse, suicide, mental illnesses, domestic and gang violence, drug trafficking and overall poor health.
- e. The community members also recognized that many youth felt distanced from their Tribe, and as such they were aware that the Tribe was not the appropriate entity to tackle many of these issues. Community members also felt that it was difficult for a Tribe to be responsive to emerging community needs, as Tribal decision making processes were somewhat cumbersome and not amenable to the programmatic needs of young people.
- f. As such, the decision was taken to form an entity to run youth programs with this entity being completely separate from, but nonetheless supported by, the Tribe. This new entity was called The Lummi Cedar Project.
- g. The Lummi Cedar Project was formed as a separate incorporated body registered with Washington State. Subsequent to the initial registration Lummi Cedar Project sought and received 501(c)(3) status from the IRS.
- h. As previously noted the Lummi Cedar Project is a completely separate entity to the Lummi Nation. This separate status makes decision making clearer, faster and more transparent. This separate status also makes

accountability clearer for external funders. The Lummi Nation is also a funder and supported of the Lummi Cedar Project and project directors work hard to keep the Lummi Nation informed of their activities. This oversight by the Lummi Nation is important as the Lummi Cedar Project is directly addressing issues related to the cultural preservation of the Lummi Nation.

- i. The Lummi Cedar Project has achieved considerable funding and project success. Major mainstream funders such as the W.K. Kellogg Foundation and the Bill and Melinda Gates Foundation have supported the project.
- j. The Lummi Cedar Project aims to engage Lummi youth, involve them in healthy pursuits which strengthen the community and the culture, promote positive social change and heal rifts that have developed within the community.
- k. At Potlatch Fund we see this as an excellent example of the need to facilitate the development of more 501(c)(3) organizations within reservation communities. Such organizations will drive and lead the grassroots based community improvements.

6.2 Duwamish Long House and Cultural Resource Center Project

- a. The Duwamish Nation was “terminated” by the United States Government several decades ago. Notwithstanding this termination the people of the Duwamish Tribe have persisted in keeping their Tribal identity, through the preservation of their language and other aspects of their culture.
- b. For many years the Duwamish people have dreamed of building a Long House and Cultural Resource Center. Such a Center will be a way to provide a community meeting space, and a space where traditions can be nurtured and strengthened.
- c. The Duwamish people were making their own efforts to attract funding for this project and it was clear that there was room for improvement in terms of how they proceeded. Potlatch Fund was contacted by some mainstream foundations and asked to see if we could provide some assistance to the project.
- d. We attended a number of planning meetings in relation to the project, and were able to help the Duwamish People to clarify goals, plans and fundraising strategies. This culminated with Potlatch Fund hosting a “Meet the Funders” meeting. Several mainstream funding bodies attended this meeting and the Duwamish People had an opportunity to present their plans and aspirations to the group. Potlatch Fund facilitated this meeting.

- e. Shortly after this meeting the Bill and Melinda Gates Foundation contributed \$300,000 to the project over a five year period.
- f. This is an example of Potlatch Fund providing a brokerage and support service to an emerging project. The service provided helped the Duwamish People to clarify and better articulate their project. The service also helped the several funders who attended to gain a more full understanding of the needs of the Duwamish Peoples, their history, their structures and the need for this project. We believe that this example also highlights the fact that sometimes funding applicants need the benefit of an objective third party to help them crystallize projects. It is particularly laudable that funders recognized that the project was in need of this form of assistance and requested that Potlatch Fund undertake this role.
- g. This project also created some tensions between Potlatch Fund and the Duwamish People. Firstly, as a small organization, that relies itself primarily on grants, we had some challenges meeting the demands placed on us by this very intensive project. Secondly, some funders enquired if we would be interested in becoming a funding intermediary for them in relation to the project. The Duwamish People were justifiably concerned about this. Potlatch Fund did not have a policy in relation to matters such as fiscal sponsorship and the combination of these factors led to a breakdown in trust between the parties.
- h. This last example highlights, once again, the need for clear structures within Indian Country. Organizations or projects that do not have such clear structures can be disadvantaged. Since this time the Potlatch Fund Board has agreed to operate as fiscal sponsors for certain qualifying groups. The main criteria that we consider in relation to such sponsorships are:
 - i. the group needs to have attended one of our trainings.
 - ii. they need to have a current status that is informal, or otherwise be non-clear.
 - iii. they need to have an aim to establish a formal non-profit with tax exempt structure.
 - iv. the period of sponsorship should generally be no longer than two years, and
 - v. such sponsorships are not a revenue stream for Potlatch Fund's operations. We will aim to recoup only reasonable and actual expenses (our target is three percent of any funds received).

6.3 Intertribal Canoe Journeys

- a. Over the last several years the Intertribal Canoe Journeys have become an increasingly important event in the Pacific Northwest calendar. In 2006 canoes from as far a field as British Columbia and the western Oregon Coast commenced the six week paddle to Seattle.
- b. The Journeys have become a major catalyst for coastal Salish people to re-learn, strengthen and reinforce their canoe traditions. The Journeys teach people about canoeing, about living, working and achieving in a community, about the value of ancient knowledge and the value of hard work.
- c. In 2006 nearly 70 canoes participated in the Journey. Several thousand people were in attendance when the canoes finally landed in Seattle. The journeys created an immense sense of pride in and also an immense sense of respect for Indian cultures.
- d. Potlatch Fund has participated in the last two Journeys. One of the problems that the canoe families face is access to funding. Having a canoe on the water for up to six weeks, together with ground support, food and other living costs is an expensive proposition. That said, the amount of funds needed for each canoe is much much smaller than the minimum sized grants provided by mainstream foundations.
- e. In 2006 Potlatch Fund discussed this matter with the Bill and Melinda Gates Foundation and they provided us with funds to re-grant to Canoe Journey families.
- f. Potlatch Fund believes that this is a model that could work with a number of Native projects. Because we are already working with many groups in Indian country we can manage such re-granting with little or no additional cost. As such we can provide a cost effective mechanism to allow mainstream foundations and corporations to reach these much smaller groups in Indian country.

6.4 Lower Elwha Tribe

- a. Potlatch Fund held its fourth annual gala in November 2006. After the gala, as staff were breathing a sigh of relief and following up with thank you letters and donation deposits, it was found that the Lower Elwha Tribe had made a \$5,000 donation to Potlatch Fund.

- b. This is a generous gift in and of itself, but even more so since the Lower Elwha Tribe is one of the smallest and most under funded Tribes in the Pacific Northwest.
- c. Potlatch Fund was overwhelmed by the generosity of this gift.
- d. Russ Hepfer, Treasurer of the Lower Elwha Tribe was humbled by the attention that the donation has generated. Hepfer stated, “We didn’t think \$5,000 was a lot of money and we were kind of embarrassed to present the amount because we thought it wasn’t enough, but we pooled our funds together and were able to contribute as much as we could. We recognized that Potlatch Fund has helped us out in the past by leading funders such as the Verizon Foundation to Lower Elwha. Potlatch Fund also helped our Tribe through the Journey to Successful Fundraising Trainings held in our community in 2005 and 2006. They have also supported our community with funding for families that attended the Family Canoe Journeys. We wanted to send our appreciation. We have attended the past three Galas and the Council came to consensus to support Potlatch Fund with the \$5,000 donation.”
- e. The Lower Elwha Tribe is a small fishing community of close to 870 Tribal members. Their annual operating budget is about \$8m. They are struggling like most Tribes to build infrastructure and jobs for their people, and are doing so with very limited revenue sources. In past years Lower Elwha has donated funds to support the community Longhouse for the Peninsula College. They also have provided a dinner to recognize tribal members that are pursuing higher education. Mr. Hepfer said that “we are proud to provide scholarships of \$500 for each of those students.”
- f. Potlatch Fund thanks the Lower Elwha Tribe for the generosity of their gift. We also applaud Lower Elwha for their significant contributions in support of the community.
- g. The gift from Lower Elwha also pleased Potlatch Fund because it showed that Native communities were starting to come on board with the idea of providing support at functions such as galas. When Potlatch Fund ran its first gala people were embarrassed when we came to that point of the evening when we asked for funds to support our operations and our own donation programs. Over the subsequent three galas there has been a growing acceptance of the need for people in attendance to give, and a number of groups such as Lower Elwha are now attending such events both prepared and ready to give.

7.0 Opportunities for Increasing Philanthropy Within Indian Country

- 7.1 The main focus of this report has been about the need to increase funding to Indian Country from mainstream philanthropic institutions. The opportunities and challenges noted in relation to the mainstream institutions also apply to funding from corporations and non-native philanthropic individuals/entities.
- 7.2 The above areas have been the main focus of this paper as these are the areas where the biggest potential for growth can be seen.
- 7.3 It should not be ignored though that the major funder of Indian Country is Indian Country. Tribes primarily fund their own operations. They fund these operations through the proceeds from casinos and hotels. They fund these activities from the same of tax efficient products such as cigarettes, other tobacco products and petrol, and they also have significant involvements in all manner of economic development initiatives. The Coeur D'Alene Tribe for example has provide an internet backbone into their community and are now receiving funds as an Internet Service Provider. The Umatilla Tribe has just entered into a joint venture to provide a call center facility. Many of the coastal Tribes have significant involvements in both fishing and tourism industries.
- 7.4 Absent any new income it is unrealistic to expect Tribes to dramatically increase their funding of non-profit, associational or social service activities. Put bluntly there are not the free funds available for the Tribes to undertake such increases. Tribe A can only increase the funds to non-profit B, if it stops funding some other activity. Any call to the Tribes for them to start to provide a greater share of their resources to non-profits will be invariably ineffective. This, particularly, will be the case if such non-profits are separate entities with their own tax exempt status.
- 7.5 Similarly, there is limited room for growth in casino giving. The standard model for casino giving in many States is as follows:

	Total Casino Proceeds
Less	Operating Costs and Payouts
Equals	Net Casino Profit
Less	Retained Earnings
Less	Charitable Contributions
Equals	Profits Available to Tribe

- 7.6 The above model illustrates that any increase in the charitable contributions from the casinos come at the expense of profits available to Tribes. If the profits available to the Tribes are reduced then this impacts service delivery from the Tribe. In essence this is a zero sum game. Most Tribes have agreed to a compact with their State to require between one and two percent of net profits to be used for charitable contributions. One casino foundation in our region, the Spirit Mountain Casino Foundation, is notable as it renegotiated its compact with the State and now contributes six percent of its net profits for charitable purposes. However in this case the Tribe is very clear that it is paying the opportunity cost of this decision by forgoing profits that it could use for other purposes.
- 7.7 The one area that has potential for positive change is the allocation of the charitable contributions as between Native and non-native recipients. As noted previously many casinos and casino foundations give more funds to non-native groups than the minimum required under their compacts. The compacts generally require that about 50 percent of the charitable contributions be given to non-native groups. The thinking behind this requirement is that this forced allocation makes up for some of the social harm that is thought to be caused by the operation of the casinos.
- 7.8 The King (et al, 2002) study has shown that in Washington State less than 22 percent of the charitable contributions from the casinos went to Native groups. As such there is theoretical room for improvement of about 30 percent of extra giving. It is a realistic long term goal for charitable contributions from casinos to Native groups to double. However, it also has to be realized that such a doubling will come at the cost of reduced services for the rest of the community. The casino funds have become such a core part, for example, of many emergency service operations throughout the region. If these funds are cut back their could be significant controversy which ultimately may impact the casinos concerned and overall profits available for distribution.
- 7.9 The final area of indigenous giving that needs to be considered is the giving from Native individuals to support Native groups and projects. There is no doubt that this will be an area of future growth. However, a couple of caveats need to be acknowledged:
- a. average incomes and therefore average wealth in Indian Country is markedly lower than the population norm.
 - b. most research shows that people with average to below average incomes already give higher proportions of their income. As such there is comparatively little room for such giving to be increased. Moreover, any pressure to increase such giving could have negative results.
 - c. to the extent that there are holders of wealth in Indian Country it is very difficult to identify them, they may not be committed to Indian causes, and they may not recognize/value the importance of the work being undertaken in their own communities.

- 7.10 In light of the above we believe that the best way to increase indigenous individual philanthropy is to follow the same steps noted for mainstream philanthropy. The most important of these being the facilitation and encouragement of grassroots approaches to needs in communities. It is well run and effective projects happening on the ground that will at the end of the day be the lead vehicle for attracting more money to these communities.

8.0 Conclusion

- 8.1 This report has endeavored to highlight the challenges and opportunities in relation to the funding of Northwest Native communities. The sad fact is that organized philanthropy has been largely missing from Indian Country. This report has highlighted a number of factors that contributed to the paucity of philanthropic funding. These reasons include:
- a. lack of understanding of Native American structures.
 - b. cumbersome, reduced or shared accountability arrangements.
 - c. misperceptions about both the need and the current support for Indian Country, and
 - d. communities that have been disempowered.
- 8.2 This report also suggests a number of strategies to increase funding to Indian Country. Whilst the report concentrates on the potential funding increases from mainstream philanthropic entities it is also recognized that many of the same techniques will help to increase the funding available from other sources. Other sources discussed include corporate bodies, Tribal Casinos and individual giving.
- 8.3 Potlatch Fund is working to increase philanthropy within Indian Country by:
- a. the provision of technical assistance trainings to Native non-profits and Tribes.
 - b. educating funders.
 - c. brokering relationships.
 - d. encouraging best practice giving within Indian Country, and
 - e. our own grants program and other support provided to non-profits.
- 8.4 Potlatch Fund is also working to continually review the challenges to philanthropy. This is one of the reasons why we will be also focusing this year on the establishment of 501(c)(3) approved non-profit entities. It is our view that the establishment of independent non-profit entities is central to the growth in funding, the growth in associational activity, and the growth of robust and responsive community services.

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