

# Inside Philanthropy

## Inside DonorsTrust: What This Mission-Driven DAF Offers Philanthropists on the Right

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If you want to understand the core appeal of DonorsTrust — the top donor-advised fund for conservative and libertarian philanthropists — start with its name. It telegraphs that this is a place that will honor the intent of its clients, in terms of how their money is used.

“The selling point is first and foremost the match between our mission and their principles,” Lawson Bader, the president of DonorsTrust, told me in a recent conversation. The goal of the organization, Bader said, is to “safeguard the intent of libertarian and conservative donors,” and to ensure that funds are used only to promote “liberty through limited government, responsibility, and free enterprise.”

A fair degree of mystery surrounds DonorsTrust, and its sister outfit, Donors Capital Fund, which *Mother Jones* once called the “dark-money ATM of the right.” The two groups — which are really just one operation, that I’ll refer to as DonorsTrust — made \$90 million in grants in a recent years, including to a who’s who of policy groups on the right like the Heritage Foundation, the American Enterprise Institute, and the Cato Institute. Money has also flowed to smaller, more controversial organizations, like the Project on Fair Representation, which has been the most effective group seeking to dismantle the Voting Rights Act. As well, DonorsTrust has been the conduit for anonymous funding for groups sounding the alarm about Islamic threats within the United States, such as Clarion. The board members overseeing grantmaking include key figures in the world of conservative policy and philanthropy such as AEI chief Arthur Brooks, James Piereson who heads the William Simons Foundation, Adam Myerson of the Philanthropy Roundtable, and Kim Dennis, who helped create DonorsTrust and leads the Searle Foundation.

To pull back the curtain on DonorsTrust, I got in touch with Bader, who walked me through how this place works. In fact, it’s not all that mysterious. Beyond its mission, Bader emphasized that the top draw of DonorsTrust is “that we are a donor-advised fund,” with all the benefits that DAFs offer. This organization is thriving for the same reasons that places like Fidelity Charitable have become behemoths in recent years: more wealthy people are now turning to philanthropy and many don’t want the administrative hassles of overseeing a foundation. On the other hand, DonorsTrust is no behemoth. “We’re a small boutique operation,” Bader said, noting that it only has a few hundred funds. “When our client calls with a question they’re going to get a person. That matters to a lot of people.”

A bit of backstory is helpful in understanding how DonorsTrust fits into the broader universe of philanthropy.

Donor-advised funds were pioneered by the New York Community Trust in 1931, and for decades were mainly used by community foundations. Then, in the 1970s, an entrepreneurial activist named Drummond Pike teamed up with some of his wealthy friends — including an heiress to the R.J. Reynolds Company — to create the Tides Foundation, which used donor-advised funds to marshal resources for progressive causes.

In effect, Pike created a new kind of community foundation — one where the glue was a shared worldview. Over the years, Tides emerged as a key clearinghouse for liberal money backing a wide array of causes. Wealthy donors who wanted to see social change would give money, and Pike and his veteran staff — who actually knew how to advance change — would deploy the money through strategic grantmaking. It was a powerful model, and all the more so because donors could be anonymous. Tides had to report where its grants went, but it didn't have to reveal its donors. Which meant, among things, that trust fund kids could support the kind of leftie groups that might well get them disinherited if their parents ever found out. Tides also offered mainstream foundations a way to funnel grants to hot button causes without leaving any fingerprints. By the 1990s, it was moving tens of millions of dollars every year. (In a recent year, the Tides Foundation paid out \$127 million in grants.)

Drummond Pike's huge success in organizing a shadowy phalanx of progressive donors through Tides didn't go unnoticed on the right. And, in 1999, a movement conservative, Whitney Ball, set out to create the same kind of outfit for her team, establishing DonorsTrust.

Ball had spent her entire career inside the policy world that right-wing funders like Scaife, Olin, and the Koch had built up starting in the 1970s — except that she worked on the philanthropic side of things. Her first major job was raising money for the Cato Institute, where she got to know many of the foundations and individuals backing libertarian causes. Her next gig was helping build up the Philanthropy Roundtable, which was founded in the late 1980s by conservative foundations that broke away from the Council of Foundations, feeling that the main trade association of foundations had been captured by a liberal orthodoxy. Lawson Bader, a close friend of Ball's, said she "always had a heart for the donor community."

The emergence of the Roundtable was a major breakthrough for conservative philanthropy, but along with her colleague Kim Dennis, Whitney Ball had other ambitions, too. Like Drummond Pike, she knew that a lot of donors never get around to creating foundations and operate on a smaller, more informal scale. Organize a bunch of these donors, though, and you could create a powerful force. Like Pike, also, Ball recognized how important anonymity could be for certain funders, as well as their grantees. That was especially true when donors put money behind controversial causes.

Still, from the start, the biggest selling point of DonorsTrust was as a place where ideologically committed donors could park their philanthropic dollars and be sure that money strictly went to the causes they cared about.

It's hard to overstate how much the topic of donor intent is a preoccupation within the conservative precincts of philanthropy. That world is rife with stories of how liberal heirs or professional staff hijacked foundations and disregarded the donor's original vision — the Ford Foundation standing as the classic example. Preventing that kind of thing was (and is) a recurrent

topic of conversation among members of the Philanthropy Roundtable, which Ball keyed into. She developed a solution to the problem in DonorsTrust.

Lawson Bader put things this way: “There are clients of ours that may love their kids, but perhaps the client and the kids differ in terms of political philosophy, or institutional support.” Bader explained how if a client of DonorsTrust passes away and, say, their daughter becomes the adviser to their fund, she will not have the authority to redirect the money to a different set of causes or organizations than what the donor originally intended. As an added protection, all funds set up at DonorsTrust are designed to sunset after a given time. None can exist in perpetuity, which is seen as increasing the risk that money will some day reach causes not favored by the original donor. (A number of major conservative foundations have been designed to sunset for this reason, such as the Olin Foundation, which closed its doors in 2005.)

The peace of mind that DonorsTrust offers to philanthropists with a certain worldview has proven very appealing.

In 2002, the organization received \$1.4 million and distributed grants totaling \$1.2 million. In 2010, \$44 million came in, and \$63 million went out in grants to myriad conservative groups. Just a few years later, in 2013, as alarm grew about Obama’s rule and the survival of liberty for “future generations,” as DonorsTrust describes the stakes, Ball’s operation pulled in \$152 million and gave out \$90 million in grants. “Whitney Ball was a hell of a salesperson,” Bader said.

When Ball died of cancer in 2015, she was widely praised in conservative circles for her entrepreneurial vision. No one had ever done more to organize one of the most powerful constituencies that power right-wing gains: wealthy philanthropists.

Before she passed away, Ball asked Lawson Bader — who then was leading the Competitive Enterprise Institute — to take over her job. Bader has only been at DonorsTrust for a few months. And while it’s hard to say what the future will hold for this organization, one thing is clear: Donor-advised funds are likely to remain a huge growth area in philanthropy. Along the way, look for mission-driven DAFs to continue to grow as some philanthropists look for the kind of community that a Fidelity or a Schwab can’t provide.