

Inside Philanthropy

Who's Funding What, and Why

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The Sandler Way: Where Big Philanthropy Meets the Art of Common Sense

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If you hang around the more professionalized precincts of philanthropy—like big-name foundations with their armies of Ph.D.s or major consulting firms—the business of giving away large amounts of money can seem awfully complicated. (Hence all those Ph.D.s.)

But if you talk with Herb Sandler, as I did recently, it sounds pretty darn simple.

Sandler is a former banking entrepreneur who, with his wife Marion, built up a California savings and loan called Golden West over the course of forty years, before cashing out in 2006 with \$2.4 billion in winnings. They put \$1.3 billion into their Sandler Foundation and embarked on a giving spree that shows no signs of letting up (although Marion passed away in 2012.) To date, the Sandler Foundation has given out around \$700 million; Herb and his small staff, including his two children, plan to stick with this job until most of that banking fortune is gone.

What makes Sandler's mega giving simple is that it's guided by common-sense strategies that are obvious when you hear them laid out. Plenty of other living donors from business backgrounds embrace those same strategies, as we report here often. So while Sandler's interests and investments have been quite distinctive, he's emblematic of a cadre of new funders that is reshaping philanthropy—and, along the way, running circles around controlling and overstaffed foundations that are overthinking how to achieve change.

Here's a primer on the strategies followed by the Sandler Foundation.

Focus Money Where It Can Make a Big Difference

That sounds obvious, right? But it's amazing how many funders don't do enough homework to identify underfunded causes for which their funding can have a decisive impact. While Sandler has given his share of money to established and familiar causes, like the ACLU, his foundation's biggest achievements have come from finding areas that have been overlooked by other funders, where its money can back a bigger, better effort than any yet mounted.

So, for example, when Herb and Marion created ProPublica in 2007, now the premier nonprofit investigative news organization in the country, they were hardly the first philanthropists supporting high-quality journalism. A number of funders have long operated in this space. What the Sandlers did differently was to back a new free-standing operation for investigative reporting packed with top reporters—a place with enough muscle to help fill the void caused by the decline of print media.

Likewise, before the Sandlers bankrolled the Center for Responsible Lending in 2002, a range of funders had tackled predatory lending and other forms of usury at one time or another. But nobody had ever put up the kind of money required to build a top-tier national organization that focused exclusively on this crucial issue and could pull all the levers needed to make change—including research, policy development, advocacy, and public education. As with ProPublica, the center has become a dominant player in its field.

The Sandlers also found places in medicine and science where their money could play a decisive role. Marion suffered from asthma, and as the couple stepped up their giving back in the 1990s, they learned that asthma was a backwater of medical research. Top people weren't drawn to the field and few advances had been made for decades—despite the number of people are made miserable by this condition, including a great many poor children.

The Sandlers set out to change that by creating the American Asthma Foundation and putting up the kind of serious money that could pull in the best researchers. Even more creatively, Marion had the idea of offering big research grants that were only available to people who'd never worked on asthma before—in effect, bounty money for new blood. "It was a high-risk idea and

nobody knew whether it could work," Herb Sandler recalled. But, sure enough, proposals from top scientists began rolling in, many with fresh angles on asthma. The foundation has since become the largest private funder of asthma research. It's given out over \$100 million in grants since 1999 and bankrolled a number of breakthroughs that have changed asthma research.

Of course, there's nothing terribly clever about investing in areas overlooked by others. Venture capitalists do it for a living, seeking out startups that will thrive because they're solving a problem that others aren't. And like venture capitalists, Sandler and his staff, most notably Executive Vice President Steve Daetz, will look at many, many ideas before getting behind one. "We wait for the right opportunities," Daetz says.

So while the good news for grantseekers is that the Sandler Foundation remains open to pitches, the bad news is that the bar is extremely high. Don't bother these folks unless you have a plan to spend Sandler money to do something big and important that otherwise wouldn't get done.

Look for Leverage Points

Targeting money where it can have a leveraging effect is another, and related, part of the Sandler Way. This is also a simple idea: Invest in stuff that will produce multiple gains for comparatively little money. Sandler also likes to leverage his funds by getting good work going that subsequently attracts the support of other funders.

The Sandlers stumbled on asthma for personal reasons, but they put big money here because of how the disease upends the lives of poor kids of color—who often miss school days or sleep because of breathing problems, a cycle resulting in even greater disadvantage. Find remedies to asthma and you don't just help people breathe more easily; you make a dent in urban poverty.

But a better example of how the Sandlers leveraged their money is through the big investment they made in basic research at the University of California San Francisco. The Sandlers heavily backed UCSF's Program for Breakthrough Biomedical Research (PBBR) thinking that they'd get a lot of bang for the buck by funding core discoveries that could eventually lead to a range of medical breakthroughs. While that leverage potential is well-known among scientists, most donors gravitate to narrow applied medical research, leaving researchers in basic science struggling for support—especially those engaged in high-risk projects that can't win backing

from the National Institutes of Health. "We saw an enormous opportunity, and the potential to affect a lot of lives," Sandler says.

To date, the Sandler Foundation has pumped over \$125 million into research at UCSF, one of its biggest investments, with \$50 million going to PBBR (which also raised another \$20 million from other sources.) And what came from that money? PBBR reports that in the past 17 years, its work has led to "over \$500 million in subsequent grant funding, and projects and their derivatives have resulted in 1,500 scientific publications and dozens of patents."

The quest for leverage also led the Sandlers to lay out big money to start the Center for American Progress (CAP), which is now the top progressive think tank in Washington, DC. The Sandlers had long been donors to liberal groups like the ACLU before they sold their business. But when they turned to philanthropy on a larger scale, they became preoccupied with the question of how conservative ideas had become so influential starting in the 1980s.

As a result of lots of digging, the couple realized the savvy way that right-wing funders had bankrolled think tanks like the Heritage Foundation and the American Enterprise Institute to shift the terms of national policy on issues like welfare, regulation, and the role of government writ large. Herb, in particular, spent hours doing Internet research to trace the funding and see how the right had done so well. That success was laid out in a 1997 report by Sally Covington and the National Committee for Responsive Philanthropy called "Moving a Policy Agenda: The Strategic Philanthropy of Conservative Foundations," a document the Sandlers read closely, along with the 1971 "Powell Memo," that laid out a long-term game plan for moving U.S. public policy to the right.

The Sandlers came to see backing think tanks as akin to investing in basic science: Instead of supporting narrow work on specific issues, funders could get far more mileage from building policy shops that could influence the overall terms of national policy with effects across multiple issues. And so the Sandlers not only put up tens of millions of dollars to build CAP from scratch to be Washington's new flagship progressive think tank, they also become major funders of the Center for Budget and Policy Priorities, which defends the interests of low-income Americans in Beltway battles.

Later, the Sandler Foundation expanded its investment in policy research by bankrolling the Centers for Equitable Growth, which is comprised of two outfits in Berkeley and Washington engaged in a deep scholarly dive into the complicated question of whether inequality affects economic growth, and whether shared prosperity can strengthen growth.

A final point about leverage and Sandler philanthropy: Many of the big initial investments by the Sandlers to create new institutions were followed by donations by other funders. In particular, CAP, ProPublica, and the Center for Responsible Lending, have all attracted wide support. So in that way, too, the Sandlers made their money go a long way.

Obsess Over Due Diligence

Herb and Marion Sandler spent most of their careers in the savings and loan business, working "twenty-four/seven," in Herb's words, and came to philanthropy with limited knowledge of areas where they ended up spending many millions of dollars. What they did have, though, is an obsession with due diligence, another elementary strategy of business leaders. Marion became famous in some nonprofit circles for peppering people with tough questions—often while she knitted during meetings.

"Serious due diligence is critical," says Sandler. And, in the Sandler playbook, that diligence can take years. The Sandlers' decision to back basic biomedical science at UCSF came after many conversations with a range of people about how their money could be most effectively spent when it came to medical research—an area of particular complexity. "That took us a really long time to learn about," says Sandler. They visited a lot of universities, asking a lot of questions.

Sandler says that one of the foundation's biggest missteps resulted from a lack of rigor with its ongoing due diligence, backing research in one case that ultimately didn't pan out. "You can get so turned on by the mission you ignore conflicting signals," Sandler says, explaining what went wrong. They didn't push hard enough and ask the right questions—which was especially crucial because the research was in a "very difficult technological area."

The Sandlers' foray into think tanks, which had a happier ending, unfolded more methodically. It involved an extended listening tour, including sessions with top staff at many policy groups. The Sandlers weren't particularly interested in building a new think tank, but came away from their

due diligence uninclined to back any existing institutions. (I should know, since, along with colleagues at Demos, I pitched Herb and Marion in a suite at the Hyatt Hotel in Midtown Manhattan. Marion, knitting away, asked lots of brusque questions, and then we never heard from them again.)

To Sandler and his foundation, one of the most critical elements of due diligence is to really investigate the people you're investing in, to make sure you're backing a winner. Says Steve Daetz: "There's gradations of mistakes... Almost all come back to the leadership."

Back Great Leaders

The Sandlers have had unusual success in finding top leaders to bankroll, including John Podesta, the founding chief of CAP; Paul Steiger, the founding head of ProPublica, and Martin Eakes, who built the Center for Responsible Lending and still leads it. All were major heavyweights in their fields, and all proved skilled at scaling up influential new institutions. "You need people who can make things happen," Sandler says.

Luck played a role in leading the Sandlers to these people, but they also closely vetted each of them before opening their checkbook in a big way. While considering Podesta, they talked to over two dozen people who worked with him in government (where he had been Bill Clinton's chief of staff, among other roles). The reports on Podesta were so positive that Sandler was sure there had to be a catch. "I was prepared to dislike him." Instead, all the rave reviews turned out to be true, and after being convinced to take on the job of building CAP full time, Podesta went on to turn it into a major force in Washington before handing the reins over to Neera Tanden, CAP's current president.

With ProPublica, the Sandlers talked to many people about their interest in backing investigative journalism, a list that included Paul Steiger, then managing editor of the *Wall Street Journal*. Steiger was intrigued enough to draw up a proposal for how such a new outfit would operate, one of several proposals the Sandlers looked at. They liked Steiger's plan the most, but told him they would only support it if Steiger headed up the organization himself. So it was that with some gentle arm twisting (and a \$10 million initial pledge), a banking couple from California got the top editor at the *Wall Street Journal* to take on their investigative news project.

Provide Long Term General Support

At this point, it should probably go without saying that the Sandler Foundation is a big believer in general support. Nearly all their grants take the form of large checks written to the institutions they back. "We believe in supporting organizations that really get things done," Sandler says. And to him, that means not just putting up serious money, but having faith that the leaders they're behind can best decide how to spend that money.

"We believe that Bob Greenstein knows a heck of a lot more than we do," says Steve Daetz, referring to the long-time head of the Center on Budget and Policy Priorities (CBPP). Sandler adds: "If we think that an organization is working on the right stuff and has the right leadership, we'd rather give them the money and let them decide how to use that money... It's not us who's doing the work, it's the nonprofit."

Of course, this approach stands in marked contrast to how many funders operate, nickel and diming nonprofits with program grants for specific work, an approach that most nonprofits find maddening. For instance, despite its stellar reputation for effectiveness, CBPP still gets much of its support in the form of program grants, with funders dictating how Greenstein can and cannot spend their money.

The Sandler Foundation sees its focus on general support as especially important given how few other funders provide this type of funding (only about a quarter of foundation grant dollars go for general support). And Herb Sandler points to the success of groups his foundation has backed as an example of why general support is key. CAP is probably the best example, since its early rise to prominence came thanks to spending heavily on communications, which foundations are reluctant to support. "Podesta said he couldn't have built CAP if he hadn't had general support, giving him flexibility," Sandler says.

To Herb Sandler, this is another area of philanthropy that is simple and obvious: "General support will lead to greater impact and greater strategic accomplishment."

Likewise, the Sandler Foundation believes in backing organizations for the long haul. It plans to stick with all the major organizations it started into the future, although often as a less dominant

funder. Meanwhile, the foundation has continued to support groups that it has been backing for decades in some cases, like the ACLU and Human Rights Watch.

One last thing: The Sandler Foundation works very closely with some of its top grantees, putting in serious time to help them with management and finance issues. Steve Daetz, who spent five years at Golden West before joining the foundation, often takes point on this work.

So what's next for Herb Sandler, now in his 80s, and the Sandler Foundation? Well, despite the huge commitments they've taken on, and the \$700 million that's already gone out the door, there's still plenty of money, and Sandler stresses that the foundation remains open to new ideas.

In recent years, the Sandler Foundation has been a major environmental funder, and it's recently forayed into healthcare, making a \$15 million challenge grant to a new center at Stanford University that "seeks more affordable ways to deliver better care for conditions consuming the bulk of the country's health-care spending." Of course, that's another huge and crucial issue facing the United States. An additional area of interest to the foundation, especially Herb's daughter, Susan Sandler, is education.

It remains to be seen whether the Sandler Foundation will take on any new projects on the scale of ProPublica or CAP. But don't be surprised if it does. As the foundation says in one of its mission documents: "We are a spend-down foundation and therefore act with urgency to make significant contributions that have both an immediate and lasting impact."

Or, as the foundation puts it elsewhere, in more simple terms: "We want to make as big of an impact as possible."