national committee for
responsive philanthropy

The Waltons and Wal-Mart:
Self-Interested Philanthropy

September 2005

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About NCRP

The National Committee for Responsive Philanthropy is an independent nonprofit organization founded in 1976 by nonprofit leaders across the nation who recognized that traditional philanthropy was falling short of addressing critical public needs. NCRP's founders encouraged foundations to provide resources and opportunities to help equalize the uneven playing field that decades of economic inequality and pervasive discrimination had created. Today NCRP conducts research on and advocates for philanthropic policies and practices that are responsive to public needs.

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Self-Interested Philanthropy

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Introduction

NCRP has long advocated for greater transparency and government oversight of corporate philanthropy, estimating that half of all corporate philanthropy is not disclosed to the government or the general public.[1] Recently, in a chapter published in *State of Philanthropy 2004*, NCRP discussed the challenges researchers face when trying to analyze the full scope of corporate philanthropy, as well as the questionable motives behind some corporate gifts. Also in 2004, as part of an 18-point call for philanthropic reform, NCRP called for full disclosure of all corporate gifts or contributions to charities. Finally, in the spring 2005 issue of *Responsive Philanthropy*, NCRP presented an analysis of the philanthropic efforts of the world's largest retailer, Wal-Mart.

This report expands upon the analysis in our *Responsive Philanthropy* article regarding Wal-Mart's corporate philanthropy and also sheds light on the philanthropic efforts of Sam Walton, the founder of Wal-Mart, and the various Walton children and grandchildren who have established their own philanthropic ventures. The Walton family, through its stake in Wal-Mart and other companies, is now one of the world's wealthiest, and has become an increasingly active member of the philanthropic community, primarily through the Walton Family Foundation. Many family members are also large donors to candidates for public office at all levels of government. Considering the sheer size of the family's wealth and its increasing influence in political circles, an in-depth analysis of the family's philanthropic and political donations is merited.

Further, it appears that philanthropic grantmaking and campaign contributions to political action committees (PACs), as well as to candidates, increasingly represent the surplus capital of the wealthy, which they can devote to promoting their sociopolitical worldview. Sometimes this worldview is couched as generic do-good philanthropy, while other times it more explicitly promotes a political vision, specific policy ideas, or candidates for public office. The Koch and Scaife families join the Waltons as donors for conservative causes and candidates, while George Soros and Peter Lewis are very visible progressive donors, again to both charity and politics.

A Brief Overview of Corporate Philanthropy

According to *Giving USA 2005*, corporations and their foundations in 2004 contributed $12 billion in cash and in-kind donations to charities. The variety of ways in which corporations can contribute to nonprofits—combined with a lack of government regulation over the reporting of those contributions—makes tracking the true amount of corporate gifts nearly impossible. Even more difficult to uncover is the true intent behind many corporate philanthropic projects. Corporate philanthropy is rarely just an expression of a company's altruistic desire to contribute to public welfare. There are a variety of reasons a corporation may chose to donate cash, employee volunteer time, or products to an organization or a cause. Somewhere between altruism and greed, corporate philanthropy has become an integral part of a corporation's business plan. Studies show that an image of good corporate citizenship affects consumer loyalty and can attract new consumers. In addition to being great publicity, corporate philanthropy reduces a corporation's annual tax liabilities.

With little government oversight and a general lack of transparency, there also exists an opportunity for the misuse and abuse of corporation philanthropy. Some of the major corporate scandals of the past several years—including the Enron and Tyco cases—involved questionable board and executive uses of corporate philanthropy. Enron donated nearly $600,000 to the M.D. Anderson Cancer Center at the University of Texas, where both the president and president emeritus were members of Enron's board. Former Tyco International chief executive L. Dennis Kozlowski is accused of stealing $43 million in company funds to make personal donations.[2] The media has covered these scandals to some degree, but the government has done nothing to prevent future cases of corporate mismanagement of philanthropic funds. While legislation that would require full disclosure of all corporate giving has been introduced in both houses of Congress, no such laws have been passed. When the Sarbanes-Oxley Corporate Accountability Act was being ushered through Congress, language requiring corporate philanthropy disclosure was removed.[3]

In addition to knowing basic data and information on how corporate philanthropy is used and the motivations behind it, it is also important to understand how the immense personal wealth created by corporations may impact the philanthropic field for years to come. The vast wealth accumulated within the last two decades by people such as the Waltons, Bill Gates, and Intel founder Gordon Brown has changed the face of philanthropy. These individuals have already topped the list of the nation's largest charitable givers and are expected to increase their charitable contributions as their wealth and assets grow over time. Not enough attention has been focused on the point at which the private wealth of corporate owners and their families intersect with the business and charitable interests of the corporations they control. In part, this report looks to shed greater light on this issue by examining the philanthropy of Wal-Mart and the Walton family.

A Fortune Built on 'Everyday Low Prices'

Sam Walton, the founder of Wal-Mart, died in 1992, leaving the bulk of his wealth to his wife, Helen Walton, and their four children, Rob, John, Jim, and Alice.[4] Their combined fortune is estimated to be worth more than $90 billion,[5] making them by far the richest family in the world. For comparison, in 2005 Bill gates was worth $46 billion, Warren Buffet was worth $44 billion, the Crown Prince of Saudi Arabia was worth $20 billion, and the King of Brunei was worth $11 billion.[6] While each of the five principal members of the Walton family is worth about $18 billion, their wealth and power are most commonly referred to as a unit because of their decision to manage their personal wealth, businesses, and philanthropic activity as a family. Although all family members have had business ventures and wealth independent of their inheritance, the bulk of the family's fortune is managed together by Walton Enterprises.

Long before his death, Sam Walton placed his Wal-Mart stock into a family partnership, Walton Enterprises. Each of his four children was given 20 percent ownership, while he and his wife retained 10 percent apiece. Upon Sam's death, Helen inherited Sam's 10 percent of Walton Enterprises tax-free.[7] Walton Enterprises owns approximately 39 percent of Wal-Mart's 4.3 billion shares of stock; this portion is worth approximately $90 billion and annually produces dividends upward of $800 million. These family members are also believed to each own between 2.8 million to 11 million shares of Wal-Mart independent of Walton Enterprises. In addition, they also control 2 million to 4 million Wal-Mart stock held by other trusts.

The creation of Walton Enterprises allowed for Sam Walton to transfer his wealth to his children and wife long before his death, avoiding most estate taxes. Walton

Enterprises also allows the family to continue to manage its wealth, and most importantly its Wal-Mart stock, together. Through its control of Wal-Mart and Walton Enterprises, the family also controls two of the largest foundations in the country, The Walton Family Foundation (WFF) and the Wal-Mart Foundation (WMF).

Considering the size of their wealth, the Waltons have had relatively little influence in politics and have given relatively little of their wealth through philanthropy, compared with other mega-rich people, such as Bill Gates. While the Waltons have been billionaires since the 1980s, it was only in the late 1990s, when Wal-Mart saw explosive growth across the country, that the Waltons became as wealthy as they currently are. In 1987, *Forbes* magazine named Sam Walton the richest man in America, with a fortune of $8.7 billion. By 1997, the combined family fortune was $31.8 billion, and by 1999 that figure had more than doubled to $85 billion. As Wal-Mart continues to grow, at home and abroad, and the family continues to experience success with their other for-profit endeavors, the Walton family will most likely become one of the most influential families in the country.

Since the death of Sam Walton, Sam Robson (Rob) Walton, the eldest son, has been the chairman of the board of Wal-Mart Stores Inc. Until the recent death of his brother John Walton, who sat on the Wal-Mart board, they were the only two family members who were directly involved with Wal-Mart. John Walton was also seen as the activist in the family, working to fund political campaigns for school vouchers and charter schools and directing much of the family's charitable giving.

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Jim Walton, the youngest son, is CEO of the Walton family's financial division, Arvest Holdings, which owns the Arvest Bank. He also is chairman, president, and CEO of Arvest Bank, which is the largest bank in Arkansas and is rapidly growing in neighboring states Oklahoma and Missouri. It follows a customer service and business expansion plan that is similar to that of Wal-Mart. The family owns 98 percent of Arvest Holdings, which had assets worth $7 billion in 2003, with the remaining shares held by employees.[8] Jim Walton also heads Walton Enterprises and owns the local newspaper in Bentonville, Arkansas, where Wal-Mart is based.

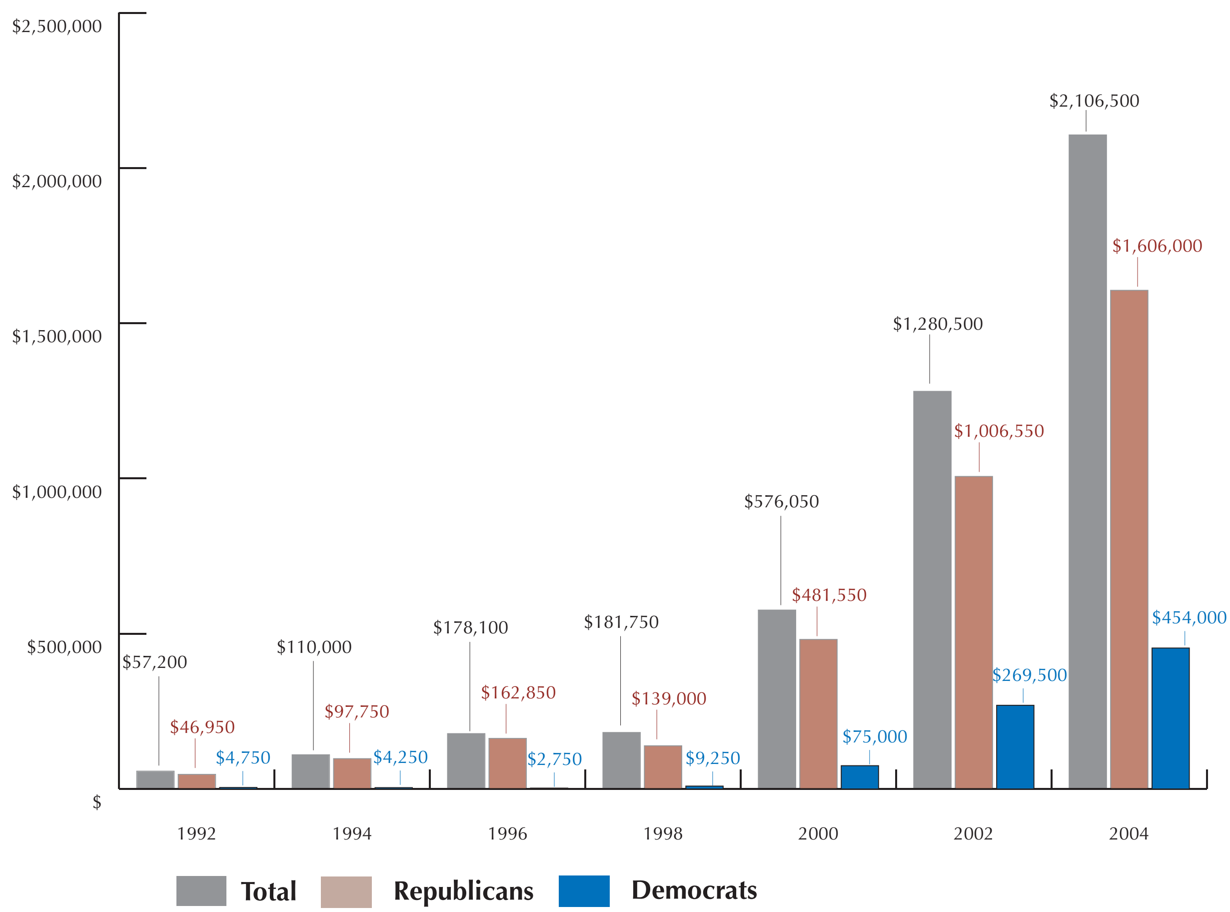
Alice Walton is the only principal member of the family who does not directly control any of the family enterprises, though she is involved with much of the WFF's work in revitalizing and developing northwest Arkansas. She also has been active as a fundraiser and lobbyist for development projects in northwest Arkansas. For example, the multilane highway that now connects Bentonville with the rest of the state, and the Northwest Arkansas Airport, whose main terminal bears her name, are examples of successful projects attributed to her.

Helen Walton, the matriarch of the family, is believed to be the person who persuaded Sam to become involved in philanthropy and to establish both the WMF and the WFF.[9] Helen continues to be a guiding force in the family, though health problems have limited her activities and involvement. Alice, Helen, Jim, Rob, and, until his death, John were all members of the WFF board of directors, while none sit on the WMF board of trustees.

Although increasingly substantial, it appears that the Waltons' involvement in philanthropy and politics is just beginning. Sam Walton focused his efforts on expanding his business empire, and cared little for philanthropy and political influence. It was not until five years before his death that the WFF and the WMF were established. Considering that the foundations are relatively new and still developing, they have jumped to the forefront of the field with surprising speed. For example, the WFF is the 63rd-largest foundation by assets, but was the 25th largest foundation by total giving in 2003, according to the Foundation Center.

The importance of the Waltons is not just how much money they are giving now, but how much money they will be giving in a few years and where that money will be going. In particular, when examining where the Waltons choose to give their money, distinct ideological leanings and favorite social issues and interests emerge. As the following graph indicates, almost all political contributions made by the Wal-Mart Stores Inc. Political Action Committee for Responsive Government, and individual family members are directed toward Republican candidates for public office or Republican political committees. In 2004, 77.7 percent of Wal-Mart Pac funding went to Republicans, down from a high of 98 percent in 1996. However, the overall amount of political contributions given by the PAC has greatly increased. The 98 percent to Republicans in 1996 equaled $162,850, while the 77 percent in 2004 equaled $1.28 million. In contrast, only $2,750 went to Democrats in 1996 and $360,000 in 2004.

Wal-Mart PAC Funding



Source: www.politicalmoneyline.com

As for the family foundation, the majority of funding goes toward education reform (emphasizing charter schools and voucher programs) and development in northwest Arkansas and the Mississippi River Delta region. However, as the assets and revenues of the foundations grow (thanks to the growth of the family's own wealth and Wal-

Mart's bottom line), nothing prevents them from beginning to fund a greater variety of issues, organizations, and causes.

Further, it is believed that upon her death, most if not all of Helen Walton's 20 percent of the family fortune will be donated to the WFF, as Sam Walton had pledged up to 20 percent of the family fortune to help U.S. schools.[10] With a potential cash infusion of up to $20 billion, the WFF would become the largest foundation in the world, although it is possible that Helen may direct some of the money to be used for nonfoundation charitable causes.

Although Helen Walton, like the rest of the Waltons, has mostly donated to Republican PACs and candidates for public office, she also has given sizable amounts of money to progressive organizations, such as Planned Parenthood. In addition, while Rob, Jim, and Alice Walton are only in their mid-50s to early 60s, there is already curiosity over what will happen to their wealth upon their deaths.[11] All except Alice have children, but little is known about the private lives of Sam Walton's children and even less is known about his grandchildren. What is known is that none of the grandchildren currently work for Wal-Mart or have taken an active role in any of the family enterprises, although at least three currently sit on the WFF board of trustees.

A Corporate Leader: For Better or For Worse?

With more than 5,000 stores (of which more than 3,400 are in the United States), revenue exceeding $288 billion each year, and 1.4 million employees worldwide, Wal-Mart is the world's largest retailer and private employer. In comparison, its closest retail competitor, Target, in 2004 had only 1,330 stores, 300,000 employees, and revenue of $46.7 billion. With such a wide reach, Wal-Mart's mantra of "Always Low Prices. Always" has changed the world of retailing. To some, Wal-Mart is an example of American ingenuity and business savvy, while to others, Wal-Mart is an amoral corporation whose business practices and policies are destroying the fabric of society, both at home and abroad.

As Wal-Mart has grown to dominate the retail market, it has come under harsh criticism for being bad for foreign and domestic labor, recent U.S. immigrants, the environment, the economy, other (especially small) businesses, local communities, and women. Although Wal-Mart often refers to its critics as special interest groups that represent national labor unions, criticism of Wal-Mart is now coming from a variety of different sources.

According to *USA Today*, Wal-Mart was sued 4,851 times in 2000 and at that time had 9,400 open cases.[12] More than 100 unfair labor practice charges have been lodged against Wal-Mart throughout the country in the last few years, with 43 charges filed in 2002 alone. Since 1995, the U.S. government has been forced to issue at least 60 complaints against Wal-Mart through the National Labor Relations Board. Most recently, in March 2005,[13] Wal-Mart agreed to pay $11 million to settle federal allegations that it used undocumented workers to clean its stores. In addition, Wal-Mart is now the defendant in the largest sex-discrimination class-action lawsuit ever, estimated to represent more than 1.5 million women that have been employed by Wal-Mart since 1988.

Also, many Wal-Mart employees cannot support themselves and their families on Wal-Mart's low wages and its relatively expensive health care coverage. These employees must instead rely on government assistance programs to make ends meet. According to a 2004 report released by Congressman George Miller (D-Calif.), Wal-Mart's low wages and benefits cost taxpayers hundreds of millions of dollars a year. Many of Wal-Mart's employees—even some full-time workers—earn such low wages that they qualify for state and federal assistance to cover basic housing costs, medical insurance and care, child care, and energy needs. For example, 13 states over the last two years have reported on employers whose employees are major users of state-funded health insurance programs, which are aimed at low-income families. Wal-Mart has topped the list in all of the states, except in Massachusetts (where it was second) and Wisconsin, which only focused on Wal-Mart's employees.[14]

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Wal-Mart is also criticized for its poor labor practices and its adverse effect on local businesses. In addition to providing notoriously low wages (especially compared with the company's total revenue and the increasing wealth of the Waltons), critics accuse Wal-Mart of tampering with time sheets, forcing off-the-clock labor, widespread discrimination based on gender and disability, and knowingly employing and exploiting undocumented workers. According to WakeUp Wal-Mart, most undocumented workers were assigned cleaning and maintenance duties. "Many of the janitors …worked seven days or nights a week without overtime pay or injury compensation. Those who worked nights were often locked in the store until the morning."[15]

Wal-Mart has also long been blamed for forcing the closure of local businesses and eroding the civic fabric of small towns. A study by Kenneth Stone of Iowa State University in 1993 is one of the most cited studies on Wal-Mart's impact on local communities. Stone examined the impact of Wal-Mart on small towns in Iowa and found a short-term benefit to local businesses immediately after a Wal-Mart opened. However, in the long term, there were disastrous effects on local businesses near a Wal-Mart. For example, the study found that in the first decade after Wal-Mart arrived in Iowa, the state lost 555 grocery stores, 298 hardware stores, 293 building supply stores, 161 variety stores, 158 women's apparel stores, 153 shoe stores, 116 drugstores, and 111 men's and boys' apparel stores.[16]

"Big Box Ordinances"…are often specifically targeted at Wal-Mart, which has in the past refused to build stores smaller than 100,000 square feet and whose supercenters can be larger than 200,000 square feet.

Communities worried about the possible negative effects of a new Wal-Mart in their town have been working across the country to prevent new Wal-Mart stores from opening. In California, community activists in Inglewood were able to defeat a Wal-Mart-sponsored ballot initiative that would have "bypassed the government and allowed the construction without the traffic reviews, environmental studies or public hearings required of other developments."[17] In Dunkirk, Maryland, Wal-Mart is building two separate smaller stores to circumvent a county regulation that limits single stores to a maximum of 75,000 square feet.

Other communities across the country have passed ordinances limiting the size of single stores, usually referred to as "Big Box Ordinances," to prevent Wal-Mart development. Although these ordinances apply to all large retailers, such as Target and Home Depot, they are often specifically targeted at Wal-Mart, which has in the past refused to build stores smaller than 100,000 square feet and whose supercenters can be larger than 200,000 square feet. In April 2005, Wal-Mart accused the

Maryland state legislature of unfair treatment when lawmakers passed legislation requiring any company with more than 10,000 employees that spends less than 8 percent of payroll on health benefits to pay directly into the state health program. State legislators were well aware that the only company that did not already meet the requirements in Maryland was Wal-Mart. While Wal-Mart argued any bill that specifically targeted one company was unfair, legislators felt the bill was justified because of Wal-Mart's inadequate health coverage; Wal-Mart employees were the largest users of the state's low-income health-care program. The bill was eventually vetoed by Governor Ehrlich.

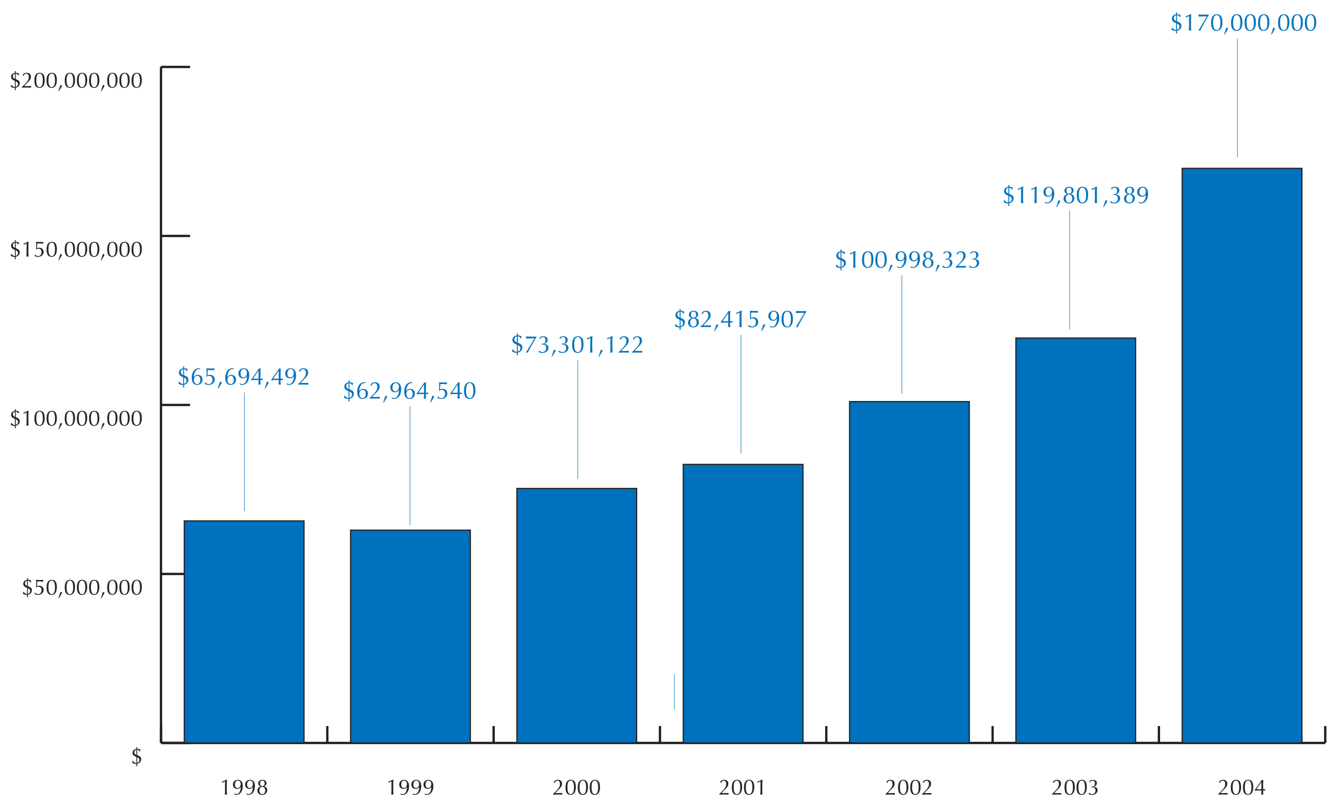
In response to growing criticism, Wal-Mart has begun to wage a public relations battle to refute its critics and keep its customers coming to its stores. In April 2005, Wal-Mart invited selected print journalists to visit its headquarters and hear its perspective on the mounting criticism against the retailer. While Wal-Mart had previously not focused on large nationwide ad campaigns, in late 2004 Wal-Mart launched a multimillion-dollar campaign, defending its labor policies and extolling its positive impacts on communities, including the work of the Wal-Mart Foundation.

Wal-Mart Foundation (WMF)

Wal-Mart, like most corporations, understands that philanthropy has the ability to change public perceptions of a company and its impact on society. The 2004 Cone Corporate Citizenship Study shows that 80 percent of Americans care whether companies are good corporate citizens, and the most common response by participants (12 percent) of a strong example of a good corporate citizen was Wal-Mart. Wal-Mart's public persona has changed over recent years, and according to Cone, "We believe that the response to our question shows that Wal-Mart's promotion of their community philanthropy is breaking through to some as corporate citizenship."[18]

According to the Foundation Center, in 2003 the WMF was the 51st-largest corporate foundation based on assets and the second-largest based on total giving. It is important to note that the Foundation Center takes in-kind and product donations into account, while *Newsweek*, which only takes cash contributions into account, has consistently ranked the WMF first in total giving. According to Wal-Mart, the WMF is now the largest corporate foundation by total giving, having reportedly donated more than $170 million in 2004, up from $101 million in 2002. This nearly 70 percent increase in its cash donations could reflect the increasing generosity of Wal-Mart, as shown in the graph below, or it could instead reflect an attempt by the world's largest retailer to deflect the increasingly harsh criticism it now faces at home and abroad.

Wal-Mart Foundation Grant Totals



Source: NCRP data collection and analysis of IRS 990s

The Wal-Mart style of philanthropy emphasizes its claims of being a supporter of families and part of the community. Rather than focusing on nationwide philanthropic campaigns from its headquarters in Arkansas, the WMF distributes the vast majority of its funds—more than 90 percent, according to its own figures—through its local stores. Rather than several large multimillion-dollar grants, the WMF makes over 100,000 separate grants every year, ranging in value from $100 to $5 million (with an average grant of $1,000).[19] By giving directly to local communities, Wal-Mart creates the perception that it is part of the community, rather than a large, impersonal corporation that could be doing more harm than good.

Although the way the WMF functions is not unique in the world of corporate philanthropy, the sheer number of grants given away is unparalleled. Each year, Wal-Mart Stores Inc. contributes a lump sum of more than $100 million to its foundation—the majority of which is broken up and distributed to each Wal-Mart store and distribution plant, where grant decisions are made by the store or plant manager. According to the Wal-Mart Foundation Web site, the philosophy behind this decentralized philanthropic method is that "in our experience, we can make the greatest impact on communities by supporting issues and causes that are important to our customers and associates in their own neighborhoods. We rely on our associates to know which organizations are the most important to their hometowns, and we empower them to determine how Wal-Mart Foundation dollars will be spent."

Grants made by managers must meet the general guidelines set up by the WMF, which leaves store and distribution plant managers with a great deal of autonomy and little oversight in their grant making. One of the few guidelines in place for local store and plant managers is the prohibition of funding any organization or project that benefits people outside Wal-Mart communities. This restriction limits the recipients of Wal-Mart's philanthropic efforts to only those who are or may be Wal-Mart customers or supporters. Wal-Mart also prohibits store managers from funding organizations outside the United States, mostly ignoring the communities and people that produce the majority of its products, and concentrating on those communities that purchase them.[20]

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While Wal-Mart claims more than 90 percent of its grants are made directly through individual stores—and despite the relative autonomy Wal-Mart managers have in the grantmaking process—Wal-Mart at the national level still has the ability to influence where individual store contributions go. When Wal-Mart makes corporate commitments to charities such as the United Way or the Salvation Army, some of the funding is given directly from the foundation at the national level, while other amounts come from individual stores and go to their local branch of the charity. While these grants are partly made by individual stores, there is still corporate guidance in the decision-making process. Wal-Mart's decision, made during the 2004 holiday season, to match every dollar raised by the Salvation Army bell ringers outside of Wal-Mart stores after Target banned the bell ringers appears to be an example of a decision made at the national corporate level.

Funding of religious institutions also distinguishes the WMF from other large corporate foundations such as the Ford Motor Company Fund and the AT&T Foundation. Ford Motor's policy explicitly bans the funding of "religious or sectarian programs for religious purposes." AT&T will only fund "nonsectarian and nondenominational" causes. Wal-Mart only prohibits the funding of "faith-based organizations whose projects benefit primarily or wholly their members or adherents." WMF President Betsy Reithmeyer states that "we try to serve community needs. Oftentimes it has been the faith-based organizations that have stepped up to meet that need."[21] Not surprisingly, based on this perspective at the national level, churches and other houses of worship receive a large percentage of the Wal-Mart Foundation grants. Some of this funding is directed toward education in the form of scholarships to private religious schools. As will be discussed later in this report, Walton family members are some of the largest financial backers of school voucher initiatives around the country.

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The sheer size of the WMF makes it incredibly difficult to track where WMF grants go, for what purpose they are intended, and how the money is actually used. Because the WMF makes well more than 100,000 grants each year, the IRS 990 filing by the WMF for the tax year ending January 2003 totaled 2,145 pages. The immense size of these documents alone makes oversight of its action difficult, but exacerbating the situation is that the WMF fails to meet IRS disclosure regulations and lists only the grant recipient name and the grant amount. It fails to provide information such as the address of the grant recipient and the purpose of the grant, which are required by current federal laws and regulations. This lack of transparency makes the possibility of adequate oversight and accountability—for a member of the general public, government officials, or even WMF managers themselves—next to impossible.

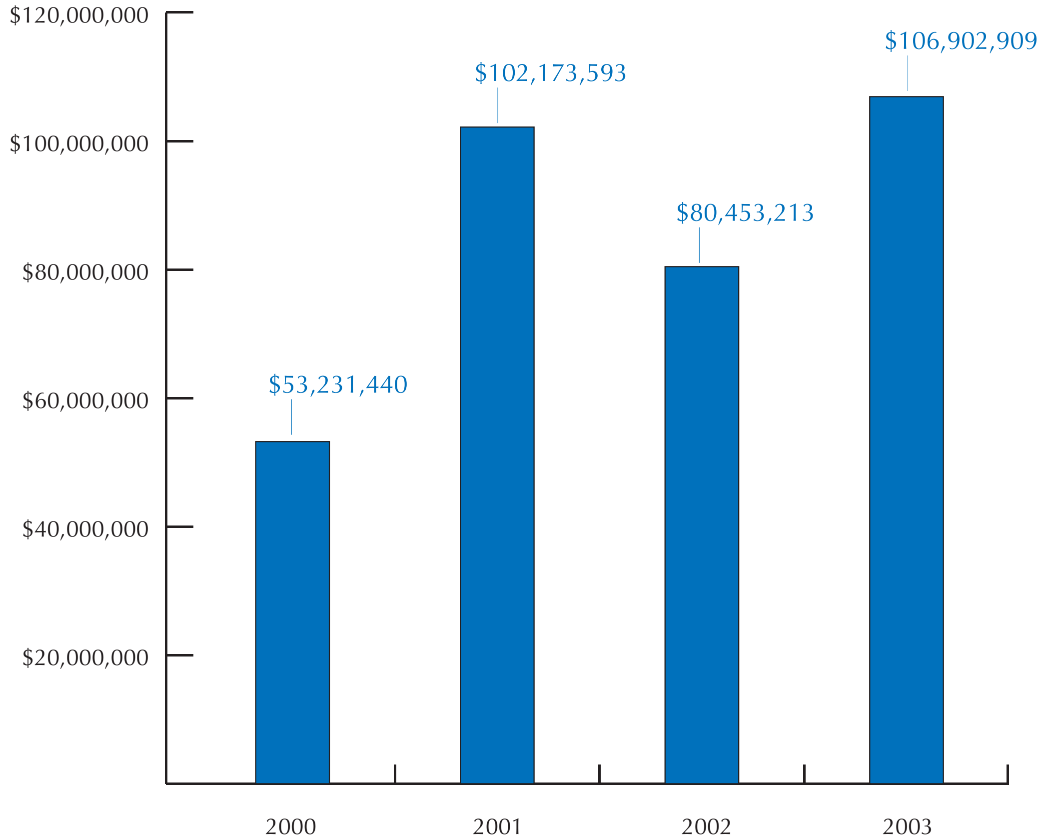
It is important to note that while Wal-Mart does disclose, although incompletely, cash donations made by the WMF, it is not required to disclose other donations made by the corporation itself or "in-kind" donations. As mentioned earlier, NCRP has long advocated for greater transparency and government oversight in the area of corporate philanthropy, and the Wal-Mart case lends greater support to that conclusion. In particular, Wal-Mart's philanthropy (and that of many other companies) demonstrates how corporate philanthropy is tantamount to government-subsidized (through tax breaks) advertising for for-profit corporations. The Securities and Exchange Commission (SEC) needs to adopt disclosure requirements for all corporate philanthropic donations, so that citizens and the government can see exactly what the general public is receiving in exchange for the tax revenue that is lost through corporate philanthropy.

Walton Family Foundation (WFF)

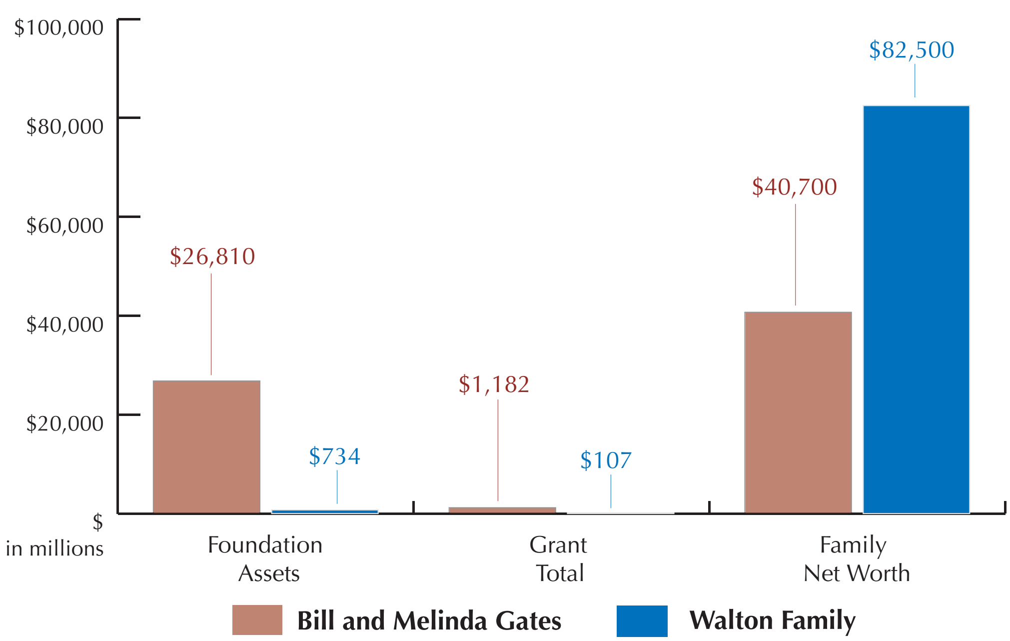
With its 2003 IRS 990 filing totaling only 79 pages, compared with the more than 2,000-page filing by the WMF, the WFF is relatively small and less complex. According to the Foundation Center, in 2003 the WFF was the 63rd-largest foundation in terms of assets ($733,875,298) and the 25th-largest in terms of giving ($106,902,909). According to the WFF's 2003 IRS filing, it has maintained an average payout rate of 10 percent over the past five years.

And although the WFF continues to grow, considering the family's net worth, it has a relatively small endowment. To illustrate their point, critics often compare the WFF and the Bill and Melinda Gates Foundation. While Bill Gates is the richest person in the world, the combined fortune of the Walton family is nearly twice the size of Gates' wealth. But as the figure below shows, the Gates Foundation's assets of more than $26.8 billion are more than 36 times larger that those of the WFF. In addition, in 2003, the Gates Foundation's total giving exceeded $1.18 billion, compared with the $106.9 million by the WFF.

Walton Family Foundation Grant Totals



Comparison Between Wal-Mart Family Foundation and Bill and Melinda Gates Family Foundation (2003)



Source for both charts: NCRP data collection and analysis of IRS 990s

It is important to note that Walton family members donate money, especially to education causes, independent of their foundations. For example, the family also donates through the Walton Family Charitable Support Foundation, with assets of $80.7 million, which specifically gives to public and private colleges in Arkansas. However, taking into account their vast fortune, it is reasonable to question the family's rather low levels of philanthropic giving. In response to critics, John Walton has stated that "I think our foundation giving may have lagged some expectations, but our measurement has not been how much we can give away, but are we making a difference?"[22] This perspective—which is basically an efficiency and effectiveness argument—is not surprising, and represents the Walton family's for-profit corporate perspective and experience.

Unlike the WMF, the WFF is specific as to what and where it funds. In particular, the WFF breaks down its funding into three areas—systematic reform in education (which concentrates on the K-12 years), the northwest Region of Arkansas, and the Delta region of Arkansas and Mississippi—with the latter two areas also incorporating education reform as a key component of the grantmaking program and strategy. Specific areas of educational reform focus on promoting school choice, and include: Charter School Initiatives, Educational Options/Scholarship Initiatives, School Improvement, and Arkansas Education. In northwest Arkansas and the Delta region, WFF helps to fund universities, health clinics, museums, cultural centers, and nature conservation, in addition to its focus on education.

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The WFF's charter school initiatives are concentrated in four states and 10 cities, while the other program areas specifically target the Arkansas region. In addition to the funding from the WFF, John Walton was one of the nation's leading private individual funders of charter schools and voucher initiatives, but this type of charitable giving does not have to be legally disclosed, making it difficult to put a final price tag on his contributions.[23] The Walton family's collective focus on private education has made it one of the standard bearers of the "school choice" movement, as well as an easy and visible target of the anti-voucher movement.

As noted by Andy Serwer, in his *Fortune* magazine examination of the Walton family, the family has been criticized for its use of matching funds rather than direct donations. Most famously through its Charitable Support Foundation, the family made a record-breaking $300 million matching grant to the University of Arkansas. The Walton's argue that matching grants motivate donors to give more and motivate recipients to search for more donors. However, as Serwer notes in his article, as the WFF continues to grow and if the family truly desires to leave a legacy, like a Carnegie or Rockefeller, and "join the top tier of great American philanthropic families," it is necessary for the foundation to move away from matching grants.[24]

The Walton family's collective focus on private education has made it one of the standard bearers of the "school choice" movement, as well as an easy and visible target of the anti-voucher movement."

While the WFF's grantmaking is relatively easier to examine, when its 80-page 990 is compared with the 2,000-page filing of the WMF, there are less clear-cut motivations for its funding. Why is the richest family in the world so committed to education, and specifically to school choice, when they themselves mostly attended public school to apparently good effect? Some critics argue that it is the beginning of the "Wal-Martization" of education, and a move to for-profit schooling, from which the family could potentially financially benefit. John Walton owned 240,000 shares of Tesseract Group Inc. (formerly known as Education Alternatives Inc.), which is a for-profit company that develops/manages charter and private school as well as public schools. It went bankrupt in 2001 but is now making a profit with revenues upward of $4.8 million. "In 1997, Walton stepped down from the board of Tesseract Group Inc., a struggling for-profit, and sold his 3 percent stake at a $1 million loss after critics accused him of pushing vouchers to potentially funnel public money to his for-profit investments. He now says he won't be involved in such for-profit ventures, so that others won't confuse his motives."[25]

The Waltons, however, assert what appear to be general altruistic motivations, contending that education was a passion of Sam Walton, who once said, "I'd like to see an all-out revolution in education."[26] In particular, Sam Walton worried that a lagging education system in the United States would hurt its ability to compete in the global market (considering the large share of the global market that the Walton family controls and profits from, perhaps their motivations are a bit less altruistic than they appear to be at first glance). John Walton, who leads the family's education efforts, contends that education is the easiest way the family can impact the broadest spectrum of issues, from poverty to crime. John Walton argues that introducing charter schools and school vouchers will force the public school system to improve by forcing it into a competitive marketplace.

Critics of the school choice movement are alarmed by the possible influx of even more Walton funding into the school choice battle. They contend that vouchers would weaken public schools by encouraging the flow of tax dollars to less-regulated charter schools and to religious and other private schools. With the possible influx of an additional $20 billion into the WFF, these critics have cause for concern about the Walton family's future impact on this debate.

Currently, some of the largest recipients of WFF grants are school reform/choice groups, such as: the American Education Reform Council, the Center for Education Reform, Children's Scholarship Fund, Colorado League of Charter Schools, the Florida School Choice Fund and others. Each of those groups received grants exceeding $1 million in 2003. The second-largest recipient was the Children's Educational Opportunity Foundation of America, also known as Children First America (CFA). CFA received $10.57 million in 2003 and $8.3 million in 2002. CFA is a lobby group that works to "promote parental choice in education through private tuition grants and tax funded options," by providing research and publications to school choice groups and submitting *amicus curie* briefs to the U.S. Supreme Court on voucher issues.

Another recipient of WFF funding is the Black Alliance for Educational Options (BAEO), which works to advertise and market the school voucher movement to African-American families. BAEO started operations in 2000 with a $900,000 budget. According to the right-wing weekly *Human Events*, this initial budget came almost entirely from the WFF. The BAEO received a $600,000 grant in 2003 and similarly sized grants the year before from the WFF. BAEO has also received funding from Milwaukee's Lynde and Harry Bradley Foundation. The WFF and Bradley have been criticized for funding the BAEO, whose work creates the image of a genuine black

WFF Top 20 K-12 and School Reform Grant Recipients

	Organization	State	WFF Funding				
			2000	2001	2002	2003	2004
1	Children's Scholarship Fund	NY	$7,875,000	$22,290,000	$20,288,500	$16,318,500	$66,772,000
2	Children's Educational Opportunity Foundation America	TX	4,818,969	6,992,020	8,362,772	10,577,036	30,750,797
3	Parents In Charge	CA	0	10,000,000	0	0	10,000,000
4	MMAC Community Support Foundation	WI	0	7,611,900	2,008,100	0	9,620,000
5	Teton Science School, Inc.	WY	23,999	3,293,992	5,066,168	28,465	8,412,624
6	School Futures Research Foundation	CA	557,500	6,080,124	0	0	6,637,624
7	Core Knowledge Foundation	VA	155,485	1,107,340	219,425	1,889,945	3,372,195
8	Florida School Choice Fund, Inc.	FL	700,000	422,188	707,933	1,383,584	3,213,705
9	Blue Ridge School	VA	0	0	0	3,000,000	3,000,000
10	Bentonville Public Schools	AR	2,271,288	498,379	30,000	20,000	2,819,667
11	Aspire Public Schools	CA	0	0	0	2,200,000	2,200,000
12	American Education Reform Council	WI	500,000	0	0	1,311,000	1,811,000
13	Center for Education Reform	DC	100,000	115,000	116,700	1,177,709	1,509,409
14	Urban Learning Communities	CO	0	1,490,000	0	0	1,490,000
15	Colorado League of Charter Schools	CO	129,000	61,500	7,550	1,210,000	1,408,050
16	Excellent Education for Everyone, Inc.	NJ	0	500,000	350,000	400,000	1,250,000
17	Black Alliance for Educational Options	DC	0	0	621,374	600,000	1,221,374
18	Arkansas Single Parent Scholarship Fund Program	AR	182,000	242,000	265,000	282,000	971,000
19	Washington Scholarship Fund	DC	0	875,000	0	0	875,000
20	Association of American Educators Foundation	CA	385,000	176,700	200,000	100,000	861,700

Source: NCRP data collection and analysis of IRS 990s

grassroots voucher movement, when in reality it is a movement supported by some of the richest white men in the country.

The Board of Directors of the BAEO includes Armstrong Williams, a prominent black political commentator who has a syndicated TV and talk radio show. On his show, he interviewed Education Secretary Roderick R. Paige, who spoke about and touted the Bush administration's No Child Left Behind program. Armstrong had also recommended that other media programs interview Paige about No Child Left Behind. In addition, Williams himself advocated on behalf of "No Child Left Behind" and produced a commercial for it, which aired on his shows, always portraying himself as a disinterested third party who merely thought the program was good public policy. In early 2005, it was revealed that Armstrong had received money ($241,000) from the Department of Education to speak in support of "No Child Left Behind," but never disclosed this arrangement to his viewers, listeners, or other programs in which he took part.

In particular, Williams' contract with the government was part of an advertisement campaign designed by the Department of Education to encourage minorities to support the No Child Left Behind program. His contract required that he "utilize his long term working relationship with black producers to 'encourage' them to periodically address the No Child Left Behind Act."[27] The BAEO itself has also been the recipient of a Department of Education grant ($600,000) to promote No Child Left Behind.

Critics of the school choice movement are alarmed by the possible influx of even more Walton funding into the school choice battle. They contend that vouchers would weaken public schools...

As influential as the Walton family already is, its influence through the WFF will only increase. As mentioned earlier in this report, it is anticipated that upon her death, the bulk of Helen Walton's 20 percent stake in the family enterprise will be given to the family foundations. This sum of approximately $18 billion to $20 billion, depending on the value of Wal-Mart stock, will propel the WFF to the top of the list of largest foundations. It is this idea that cheers Walton supporters and concerns their detractors. However, it is likely that as the WFF grows, so will the scope of its funding. John Walton states, "It's likely that our giving overtime will grow, and it will be substantial. And it is unlikely that the three focus areas we now have will remain the only focus areas that we have."[28] However, it is not clear what new areas the Walton family may chose to explore. The decisions will be made by the board of trustees, which includes only family members and their trusted advisers.

Political Activities and Interests

Compared with the two foundations, the Wal-Mart Stores Inc. Political Action Committee for Responsive Government was founded relatively early, but received little attention and funding until the late 1990s. Just as the two foundations have grown rapidly in the past few years, so have the activities of the Wal-Mart PAC. In 2004, the Wal-Mart PAC was the third largest corporate PAC and the second-largest corporate donor to Republicans.[29] The Walton family, through both personal political contributions and through the Wal-Mart PAC, has begun to infuse larger and larger sums into the political process. The Wal-Mart PAC contributed $2,106,500 to campaigns in 2004 compared with only $576,050 in 2000, marking a nearly 400 percent increase in four years. Nearly 80 percent of the 2004 contributions made by the Wal-Mart PAC went to Republican candidates, with only 22 percent going to Democrats. Although the vast majority of contributions are still made to Republican candidates, it is a more balanced ratio than existed when the Wal-Mart PAC was less active. For example, in 1996, when the Wal-Mart PAC contributed only $178,100, 98 percent went to Republicans and only 1.7 percent went to Democrats. This illustrates a marked shift in the distribution of contributions as the PAC increases its overall contributions.

Wal-Mart and the Walton family have only recently begun to translate their vast wealth into political power. Sam Walton had little interest in involving himself or his company in national politics. However, as the personal wealth of the Walton family has increased and the criticisms of and lawsuits against Wal-Mart have begun to tarnish its reputation, both the family and the company have increased their involvement in local, state, and federal politics. In 1999, Trent Lott (R-Miss.) and then-Congressman Jay Dickey (R-Ark.) met with Wal-Mart's management team, warning that the team needed to have a larger voice in Washington, D.C. According to Congressman Dickey, they told Wal-Mart that it should become a participant in the process before the crisis hit."[30] Wal-Mart hired its first lobbyist in 1998, and in 2000 Wal-Mart opened a Washington, D.C., office. Through its hired lobbyists and its PAC, Wal-Mart has begun to weigh in on political issues that concern or benefit Wal-Mart. "In six years, the company has grown from having no lobbying presence in Washington, D.C., to employing six external lobbying firms (in addition to its internal operation), and becoming one of the top 20 PAC contributors to federal candidates in the 2004 election cycle."[31] Wal-Mart and its lobbyists support pro-business legislation, which includes: tax breaks for offshore holdings, stricter regulations on union organizing, and prescription drug benefits for Medicare (which pumps money into Wal-Mart pharmacies). According to Political Money Line, in 2003 Wal-Mart spent $980,000 on its lobbying efforts, down from $1.2 million in 2000 but still well up from only $280,000 in 1999. Despite its rapid increase in spending, it is still relatively low compared with other large corporations such as Microsoft, which spent $6.36 million in 2000 on lobbying.

The family itself, or more specifically, Walton Enterprises, has also hired lobbyists in Washington, D.C. In 2000, it spent approximately $140,000 for the services of Patton Boggs, Washington, D.C.'s top lobbyist-law firm. According to Aubrey Rothrock III, one of the firm's lobbyists, the family is focused on bills that would increase charitable giving through the Waltons' family foundation. The family is focused specifically on the permanent repeal of the estate tax, a permanent cut to the dividend tax, and other legislation that would preserve the family fortune.[32] According to *USA Today*, the Walton family was slated to receive nearly $1 billion from dividends of their Wal-Mart stock holdings in 2004. As a result of the Bush dividend tax cuts passed in 2003 (which, as of now, will be in place until 2009), the Walton family will save up to $51 million in taxes this year alone. Along with the dividend tax cut, the Walton family would also like to see the permanent repeal of the estate tax.

The Walton family, through both personal political contributions and through the Wal-Mart PAC, has begun to infuse larger and larger sums into the political process.

Together, the family owns about 40 percent of all Wal-Mart stock, which gives them effective control of the company. However, upon the death of Helen Walton, who owns a fifth of the family's stake of Wal-Mart, the family would likely have to sell a large amount of its

Wal-Mart stock to pay the estimated billions in estate taxes that would be due. The current top tax rate is 47 percent, which would require a payment of about $8.7 billion from Helen's estimated $18 billion estate. This payment and the resulting sale of Wal-Mart stock would reduce the family's control over the company. As stated earlier, it is believed that Helen will leave most of her estate to the WFF, which would eliminate most, if not all, of its estate tax responsibilities. However, due to federal restrictions that allows a foundation to hold a maximum of 2 percent of a company's shares and requires anything over 2 percent to be sold within 5 years, the family may still have to sell much of Helen's Wal-Mart stock. The Walton family has supported bills that would allow it to maintain control of more Wal-Mart stock through the foundations. In 2003, the proposed Charity, Aid, Recovery and Empowerment (CARE) Act contained a provision that would have allowed "a foundation to receive a gift from an interested corporation in excess of $1 billion, if the foundation agrees to divest itself of the gift within 10 years and adopt a 12 percent all-grants payout rate while holding the stock."[33]

The family is focused specifically on the permanent repeal of the estate tax, a permanent cut to the dividend tax, and other legislation that would preserve the family fortune.

Similarly in 2002, the bill included a provision that would have allowed a foundation to hold up to 5 percent of a company's stock (up from 2 percent) and it would have 10 years (up from 5 years) to reduce its holdings to 2 percent. Both proposals were supported by Sen. Blanche Lincoln (D-Ark.), one of the few Democrats that consistently receives political contributions from both Wal-Mart and the Walton family (and, of course, who represents a district in the home state of Wal-Mart, the state's largest private employer and business).

These various proposals—if passed into law—would allow the Walton family to receive massive tax breaks and retain effective control of its Wal-Mart stock. Critics of these proposals, pointing to Senator Lincoln's financial connections to Wal-Mart and the Walton family, were able to easily connect that the foundation provisions were for the benefit of the Waltons and a limited number of other super-wealthy families. Neither provision passed, but legislation of a similar vein is introduced each session of Congress, with the support of the Walton family. As Walton campaign contributions and lobbying efforts continue to grow, the likelihood of success increases.

Conclusion: A Growing Powerhouse

There is a clear disconnect between the wholesome community-oriented image Wal-Mart projects to the world through its television advertising campaigns—which are really more like public service announcements than traditional commercials—and the deleterious impact the company really has on communities and individual lives. If Wal-Mart (and, by extension, the Walton family) was so concerned with building strong communities and helping advance the public interest—as the company's advertising suggests—would they be facing a class action lawsuit from 1.5 million women for gender discrimination? If Wal-Mart's presence was so beneficial to communities, would there be so much opposition from towns like Inglewood, California, when Wal-Mart proposes a new store or supercenter? Why is Wal-Mart having to force its way into cities by circumventing specific city ordinances and other legal protections? If the company's practices lived up to its feel-good public relations campaigns, wouldn't there be better labor and community development policies in place? If the company, like most corporations, wasn't taking advantage of undocumented workers and capitalizing off cheap labor in foreign countries, would its prices still be the lowest among its competitors?

And why would the family's private philanthropy support programs and organizations that want to radically change public education—which could potentially prove most detrimental to the nation's poorest and most disadvantaged citizens (i.e., a large portion of Wal-Mart's customer base)? Why would the majority of its private political giving go to candidates for public office who support tax policies that would be equally harmful for these disenfranchised populations?

In point of fact, behind the Wal-Mart façade, the goals of the company and family have nothing to do with promoting the community's or the public's or even their customers' interest. Instead, there is one goal, and that is to make one of the wealthiest families in the country even richer. And publicizing Wal-Mart's support of hundreds of thousands of nonprofit organizations throughout the country, while ignoring the communities abroad from which they save and profit, attempts to take the sting out of the real impacts of Wal-Mart's operating style, and could convince people to continue shopping at its stores. Although there is nothing wrong with a company or family trying to make money, using the nonprofit sector as a shill to help do so is another matter—especially when the grantmaking strategy employed does nothing more than give small grants (often as little as $100) to nonprofit organizations.

Similarly, although such changes will almost certainly undermine the public education system and hurt the nation's poorest students, supporting school voucher programs and charters might provide the family with a lucrative new business opportunity—managing school systems nationwide. And supporting Republicans for public office will help the family reap millions of dollars in tax breaks, while these very tax policies lead to the dismantling of social services that Wal-Mart's customer base depends on for its very survival and will also lead to a more regressive tax system overall.

The Waltons are one of the richest families in the world. With 40 percent ownership of Wal-Mart, they effectively control the world's largest retail corporation. Together, the Waltons and Wal-Mart have begun to use their power and wealth to change the face of business, communities, education, philanthropy, politics, and more. Because their concentration of wealth is so large and will probably be used soon to endow the largest foundation ever, nonprofit advocates as well as government regulators of charity and philanthropy need to monitor carefully how this wealth is used. The recent media scrutiny of Wal-Mart—as well as the existence of Wal-Mart and Walton family watchdog organizations (such as Wal-Mart Watch and Sprawl-Busters)—is a direct response to this influence. Such oversight efforts need to continue and should be supported by individuals and institutions that are concerned with promoting fair and safe labor practices—here and abroad—good corporate governance, and philanthropy that benefits communities and nonprofit organizations, rather than the financial and political goals of individuals and corporations.

Endnotes

[1] Currently, corporations only have to disclose grants to charities that are made through a private corporate foundation. Grants made through marketing or executive offices—as well as in-kind donations of equipment, supplies, staff volunteer time, etc.—are not required to be disclosed to the public.

[2] Krehely, Jeff and House, Megan. "Corporate Philanthropy: Giving to Get." State of Philanthropy 2004

[3] Cohen, Rick. "Corporate Giving: De-cloaking Stealth Philanthropy." *Nonprofit Quarterly,* Fall 2002.

[4] John Walton died in June 2005 while piloting a small aircraft in Wyoming.

[5] Serwer, Andy. "The Waltons: Inside America's Richest Family." *Fortune*. November 15, 2004

[6] http://www.forbes.com/static/bill2005/

[7] Serwer, Nov. 15, 2004

[8] Ibid.

[9] Ibid.

[10] Hopkins, Jim. "Wal-Mart Heirs Pour Riches into Education Reform." *USA Today.* March 11, 2004

[11] As of this writing, it is too early to tell where John Walton's wealth will be directed.

[12]. Willing, Richard, "Lawsuits a Volume Business at Wal-Mart." *USA Today*. August 13, 2001

[13] http://www.wakeupwalmart.com/facts/

[14] http://www.wakeupwalmart.com/facts/#taxpayers

[15] http://www.wakeupwalmart.com/facts/#immigrants

[16] Kenneth Stone. "Impact of Wal-Mart Stores and Other Mass Merchandisers in Iowa, 1983-1993." *Iowa State University*, *Economic Development Review*, Spring 1995.

[17] "No Smiles for Wal-Mart in California." http://money.cnn.com/2004/04/07/news/fortune500/walmart_inglewood/. April 7, 2004

[18] http://www.coneinc.com/Pages/pr_30.html

[19] The WMF only makes a few multimillion-dollar grants, decided by its headquarters, predominantly to schools and hospitals.

[20] Wal-Mart does fund programs in other countries, such as Canada and Mexico through much smaller foundations located in those countries. The Wal-Mart Canada Good Works Program, which distributes grants centrally, has given $40 million in grants since 1994. Wal-Mart de Mexico began a foundation in 2003, which also distributes grants through Wal-Mart stores and distribution plants. In 2003, Wal-Mart China also began a Good Works program that gave away $314.080.

[21]http://www.capitalresearch.org/news/news.asp?ID=74&t=4

[22] Serwer, Andy. November 15, 2004

[23] Ibid

[24] Ibid.

[25] http://www.businessweek.com/2000/00_06/b3667006.htm

[26] Hopkins, Jim. "Wal-Mart Heirs Pour Riches into Education Reform." *USA Today.* March 11,

2004

[27] Kurtz, Howard. "Administration Paid Commentator," *Washington Post,* January 8, 2005

[28] Serwer, Andy. "The Waltons: Inside America's Richest Family." *Fortune*. November 15, 2004

[29] PoliticcalMoneyLine.com

[30] Alden, Edward & Buckley, Neil. *"*Wal-Mart Finds It Pays to Have a Say in Washington.*"* *Financial Times*. London England. February 25, 2004.

[31]http://www.pbs.org/wgbh/pages/frontline/shows/walmart/secrets/lobby.html

[32] Hopkins, Jim. "Wal-Mart Family Funds causes, Candidates Baking Tax Cut*s*." *USA Today.* April 6, 2005

[33] NCRP Bulletin May 2003

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