Open Grantmaking Implementation Plan

First 5 LA Commission Meeting
November 9, 2006
Executive Summary
In November 2005, the First 5 LA Commission approved the creation of a new investment area, Open Grantmaking, to provide flexibility in addressing community needs. In June 2006, the Commission approved a conceptual framework detailing funding priorities, outcomes, and types of approaches for these monies. This framework was based on the Commission’s shift towards funding more sustainable systems change. The following paper proposes and details two funding mechanisms by which this conceptual framework can be implemented: a Responsive Giving Fund and a Social Venture Fund.

First 5 LA Responsive Giving Fund:
The Responsive Giving Fund is based on a responsive grantmaking philosophy of grant giving and is characterized by unsolicited grants that are responsive to the needs expressed by communities. Staff are proposing that this fund address all of the funding priorities and two of the approaches (capacity building and policy and advocacy) from the approved conceptual framework. To enable the Commission to measure its impact through this investment, staff are proposing two goals for the Responsive Giving Fund:

1. To achieve lasting and meaningful results in its community by improving the overall management capacities of a group, organization, or coalition around one or more of the identified funding priorities

2. To increase community awareness and support for policies that improve the quality of life of children prenatal through five as defined in one or more of the identified funding priorities

Staff are proposing that community members apply for funding from the Responsive Giving Fund through a two-step (Letter of Intent and proposal) process. Staff are proposing $15,400,000 for this fund to be allocated through four funding cycles to occur consecutively every six months. Staff will conduct a rigorous review process to ensure that successful applicants become successful grantees with the highest potential to impact the funding priority outcomes through the implementation of their capacity building and policy and advocacy activities.

First 5 LA Social Venture Fund:
The Social Venture Fund is based on a funding philosophy of high engagement philanthropy that funds agencies and ideas in a more flexible, hands-on manner than the traditional grantee-grantor relationship. Staff are proposing that this fund address one of the funding priorities (parent’s ability to support their child’s learning) and one of the approaches (promising and scalable). This fund offers the opportunity for the Commission to pilot a new funding mechanism that will inform the creation of its next strategic plan in 2009. To that end, staff have proposed two goals for the Social Venture Fund:

1. To allow the Commission to effectively achieve positive outcomes for young children within the identified funding priority

2. To allow the Commission to pilot a new funding and monitoring mechanism in order to evaluate its effectiveness and potential use within other First 5 LA initiatives or investments
Staff are proposing $2,400,000 for the Social Venture Fund in order to implement this model of grant giving with approximately four agencies. This funding mechanism prioritizes relationship building between the funder and partner agency with the goal of accomplishing jointly developed performance measures. To that end, Program Officers and partner agencies are in constant communication and the funder maintains flexibility in order to assist the project in being maximally effective.
Introduction

Since its inception, the First 5 LA Commission has valued funding through a variety of mechanisms in order to achieve positive results for families and young children. These funding processes have included the creation of large-scale, comprehensive initiatives, the use of uniquely-placed strategic partners, and the development of a responsive grantmaking process. The purpose of this implementation plan is to propose the creation of two funding mechanisms for the Open Grantmaking investment area and to detail their implementation. This implementation plan has been developed with input from First 5 LA Commissioners and is based on staff research of the field of responsive grantmaking and high engagement philanthropy, lessons learned through six years of grantmaking at First 5 LA, and interviews with stakeholders and practitioners. The Open Grantmaking implementation plan represents an evolution in how the Commission partners with the community that has been developing over the past few years and is a shift towards prioritizing funding for long-term systemic changes.

I. Background

In November 2005, the Commission approved revised Programmatic and Fiscal Policies. In addition to outlining the guiding principles, priorities and criteria to guide its investments during the final three years of the Next Five Strategic Plan (2004 – 2009), the Commission approved the reallocation of funds for the Next Five. The Open Grantmaking investment area was created as a result of this process. In the Policies approved at that time, Open Grantmaking was described as follows:

Within the priorities and criteria outlined in the Programmatic and Fiscal Policies paper, Open Grantmaking can be viewed as unrestricted dollars available to respond to changing social trends and to address a wide range of issues facing children and families in Los Angeles County. This fund would provide the Commission with flexibility to consider innovative, timely, and crosscutting projects worthy of attention that demonstrate significant potential to positively impact outcomes.

A total of $49 million was allocated to the Open Grantmaking investment area. Of this, it was stipulated that a minimum of $24 million would be used for Open Grantmaking activities and a maximum of $25 million would be used for sunsetting initiatives (specifically the School Readiness Initiative). It was agreed that any funds not used for sunsetting initiatives would become part of the overall Open Grantmaking activities.

In June 2006, Commissioners approved a conceptual framework (Appendix A) for the Open Grantmaking investment area defining funding priorities, areas of emphasis and types of approaches for these monies. The approved funding priorities for Open Grantmaking are:

- Parent’s ability to support their child’s learning
- Good nutrition
- Physical activity
- Oral health
- Prevention of unintentional injuries
Funding priorities are the broad focus areas for which Open Grantmaking funds can be used. Within each of these funding priorities, the Commission also approved outcomes. These outcomes represent the change within communities that the Commission would ultimately like to impact as a result of this investment. They are intentionally broad to allow the opportunity for creative and innovative ideas to be generated by the community.

The Conceptual Framework also outlines three areas of emphasis. These areas cut across the funding priorities and will be used to prioritize projects and proposals for funding. The approved areas of emphasis for Open Grantmaking are:

- Population: Prenatal through three
- Geographic Area #1: Targeted communities
- Geographic Area #2: Countywide

Finally, the Conceptual Framework outlines three types of approaches. These approaches specify the allowable activities to be conducted using Open Grantmaking funds. The approved types of approaches for Open Grantmaking are:

- **Capacity Building**: Activities that improve the ability of a group of residents, an organization, or a coalition of organizations that make up a community to support the healthy growth and development of children prenatal through five and their families.

- **Policy and Advocacy**: Activities that build public support for policies that promote the healthy growth and development of children prenatal through five and their families.

- **Promising and Scalable**: Activities that have proven effectiveness on a small scale to support the healthy growth and development of children prenatal through five and their families.

These approaches were approved by Commissioners based on a detailed scan and analysis of trends in the field conducted by staff. This research revealed that many foundations have shifted the focus of their responsive grantmaking away from direct service grants that are difficult to sustain and that fail to address the root cause of many issues. Instead, they are moving towards funding efforts that build capacity, effect systems change, or influence policy. These developments are aligned with First 5 LA’s own lessons learned and its refined focus on strategically using its funds to maintain a long-term impact.

Based on this conceptual framework, staff are proposing two funding mechanisms as the most effective tools to facilitate achievement of the outcomes of Open Grantmaking.

II. **Funding Mechanisms**

The Open Grantmaking investment area was created with the explicit goal of allowing more flexible funding to be available to the Commission and the community. In proposing funding mechanisms for Open Grantmaking, staff has conducted extensive research around effective grantmaking practices in the field and lessons learned at First 5 LA. This research has resulted in staff proposing the creation of two funding mechanisms (Appendix B) using Open Grantmaking monies; a **Responsive Giving Fund** based on a model of responsive grantmaking and a **Social Venture Fund** based on a model of high engagement.
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philanthropy. These funding mechanisms will allow the Commission to engage the community in a manner that supports their achievement of outcomes.

Responsive Grantmaking:
Responsive grantmaking is the term used in the field of philanthropy to indicate giving that allows funders to be responsive to the needs and creative ideas of community agencies. It is characterized by unsolicited grants that are responsive to the needs expressed by communities (as opposed to needs identified by the funder). These grants are typically given out through a funding process whereby the proposer applies directly to the funder. Within a responsive giving framework, foundations offer a varying amount of specificity. Many larger foundations outline issues and areas that they are interested in funding and give specificity as to the types of grants they typically offer.

Best Practices: In June 2005, the Council on Foundations released its Statement of Ethical Principles. These principles include the following, which have been incorporated into the responsive grantmaking framework presented herein:

1. Clarity of Purpose - Establish policies and procedures that define the project’s interests and fundamental objectives.
2. Grantmaking Procedures - Establish and follow clear processes for receiving, reviewing and acting on grant applications. Communicate openly with the community about grantmaking policies and procedures.
3. Informing the Public - Inform the public about the activities of the project through various means.
4. Self-Evaluation - Review the implementation of the project in order to measure the overall effectiveness of grantmaking.
5. Addressing Change - Be alert and responsive to the changing conditions in society and to the evolving needs of grantseeking organizations.
6. Diversity - Seek diversity to ensure that a range of perspectives, opinions and experiences is recognized and acted upon to enhance the ability to contribute to the common good in a changing society.
7. Constructive Relationships - Relationship between grantmaker and grantseeker is based on mutual respect, candor and understanding. Beyond providing financial support, offer additional guidance to grantees.

First 5 LA Lessons Learned: First 5 LA most extensively utilized responsive grantmaking during its Community-Developed Initiatives (CDI) process. This process placed strong priority on being as open and flexible as possible in addressing community needs and in allowing communities to use their own expertise to design programs. This openness was reflected both in the wide range of community issues identified by grantees and in the types of programs that were ultimately funded. CDI’s flexible funding approach was successful in funding programs ranging from baby massage to swimming lessons and resulted in the achievement of a wide range of positive outcomes for young children. However, the openness of the approach also made it extremely difficult for staff and consultants to prioritize grants for funding and to measure collective impact to a meaningful extent.

Therefore, staff are proposing to build on the CDI approach while being mindful of the lessons learned from this experience. Specifically, staff are proposing a new responsive
grantmaking approach that more strongly ties the activities of the grantee to the goals identified by First 5 LA, as described in the evaluation section below. Identifying a finite, measurable set of outcomes will allow the Commission to maintain a clearer sense of the results of its investment. In addition, the approved Open Grantmaking framework dictates that the Commission will fund communities to conduct systemic change work that differs from the direct services that the majority of the CDI grantees provided.

**High Engagement Philanthropy:**
High engagement philanthropy, more than anything, is a philosophy of grantmaking. In contrast to designing a comprehensive initiative with a prescribed set of activities and evaluation, high engagement philanthropists instead look to partner with agencies in designing programs and creating change in communities. Modeled after the work in the field known alternately as venture philanthropy, high engagement philanthropy, or engaged, highly-leveraged philanthropy, this type of mechanism funds agencies and ideas in a more flexible, hands-on way than the traditional grantee-grantor relationship.

**Best Practices:** The field of venture philanthropy effectively started in 1997 after an article in the Harvard Business Review challenged philanthropists to adapt lessons from the investment strategies of venture capitalists. These strategies include:

1. **Risk management** – funders need to be vested in the success of their investments.
2. **Performance measures** – funders need to set clear performance measures and work to strengthen the ability of agencies to achieve these measures.
3. **Closeness of the relationship** – funders need to offer a range of non-cash assistance and support to help the agency succeed.
4. **Amount of funding** – funders need to give an appropriate amount of money to see the project succeed.
5. **Length of relationship** – funders should stay engaged with an agency for 5-7 years.
6. **Exit strategy** – funders need to have a plan for the end of the relationship.

Since this article was first published, organizations describing themselves as “venture philanthropies” have grown exponentially. While a certain amount of variation exists between them, they are bound by their commitment to seeing their partner agencies succeed in achieving measurable indicators and are actively involved in providing hands-on assistance to make this happen.

As the field of high engagement philanthropy has evolved, it has modified its approaches in response to lessons learned. For example, questions have been raised about the practicality of implementing an “exit strategy” in a nonprofit setting. High engagement practitioners have responded to these and other critiques in several ways. One such change has been a heightened emphasis on the achievement of outcomes resulting in a more detailed understanding of what partner agency characteristics contribute to the success of a project. In addition, funders have adapted their definition of a successful exit strategy, moving away from expecting partner agencies to be self-sustaining at the end of the grant period.

**First 5 LA Lessons Learned:** Since 2002, First 5 LA has utilized Strategic Partners - community agencies strategically positioned to help the Commission achieve its mission of improving the lives of young children. High engagement philanthropy can build upon this
model by working with partners in an even more directive manner to develop the scope of their programs and in monitoring progress toward their goals. In this way, the Commission can ensure that the partner agency is aligned with First 5 LA’s overall strategic direction and that the agency is making appropriate progress towards achieving the goals set for it. It allows the Commission to offer assistance, beyond financial support, to see positive outcomes achieved for young children, their families, and their communities. It also ensures that the experiences of the partner agency are intimately connected with the ongoing planning processes at First 5 LA.

As an agency, First 5 LA continues to develop and mature in its funding practices. During the Next Five Strategic Planning process, Commissioners learned that First 5 LA was in the early stages of organizational development. High engagement philanthropy would allow First 5 LA to continue to explore new, innovative, cutting-edge funding and monitoring mechanisms. Piloting this funding mechanism will inform the creation of the next strategic plan beginning in 2009 and continue to advance the Commission’s stated role as a “change agent, catalyst, and trend setter.”

III. First 5 LA Responsive Giving Fund

The First 5 LA Responsive Giving Fund has been designed based on a responsive grantmaking funding mechanism. It supports the Commission’s stated objective that Open Grantmaking dollars be available to the community for “innovative, timely, and crosscutting projects worthy of attention that demonstrate significant potential to positively impact outcomes.” Staff are proposing that the Responsive Giving Fund be administered as outlined below.

Goals of the First 5 LA Responsive Giving Fund:
Staff have identified two overarching goals for the Responsive Giving Fund. These goals are derived from the approved types of approaches:

1. To achieve lasting and meaningful results in its community by improving the overall management capacities of a group, organization, or coalition around one or more of the identified funding priorities

2. To increase community awareness and support for policies that improve the quality of life of children prenatal through five as defined in one or more of the identified funding priorities

All of the grants awarded through the Responsive Giving Fund will be required to address one of these two overarching goals. These goals will be used to measure the collective impact of the Commission’s investment. More detail on this process is outlined in the evaluation section of this document.

Framework for the First 5 LA Responsive Giving Fund:
The First 5 LA Responsive Giving Fund is designed to address all of the funding priorities and two of the types of approaches outlined in the Open Grantmaking conceptual framework. Specifically, it would focus on the following:
Funding Priorities: The Responsive Giving Fund would direct monies to all of the funding priorities approved for Open Grantmaking with the understanding that the Commission will seek to be strategic and equitable in how funds are distributed. The approved outcomes for these funding priorities will narrow the scope of what can be funded using Open Grantmaking monies while still allowing the opportunity for community creativity. These activities could include:

- **Parent’s ability to support their child’s learning:** Grants allocated under this funding priority should address one or more of the protective factors identified by the Strengthening Families through Early Care and Education work of Judy Langford. Examples of this work could include (but are not limited to) building the capacity of parent groups that provide opportunities for parents to socialize and build strong relationships; advocacy work to advance caregiver knowledge of parenting and developmental milestones; or advancing policies that would expand support available to parents in times of need.

- **Good Nutrition:** Grants allocated for good nutrition should focus on expanding children’s access to and intake of proper nutrition. Examples of this type of work could include (but are not limited to) advocacy for farmer’s markets in underserved communities; building the capacity of coalitions that educate parents about proper nutrition for their children; or advancing policies requiring childcare centers to serve meals with appropriate amounts of fruits and vegetables.

- **Physical Activity:** Applicants for grants to address physical activity should focus on expanding opportunities for and participation in age-appropriate physical activities. Examples of these types of activities could include (but are not limited to) building the capacity of agencies that encourage families to exercise together; building community advocacy for safe parks; or advancing policies requiring adequate space for physical activity in communities.

- **Oral Health:** Oral health grants should focus on increasing children’s access to and utilization of oral health care resources. Examples of these types of activities could include (but are not limited to) building the capacity of agencies that provide preventative and therapeutic dental services; building community advocacy for dental clinics in underserved areas; or advancing policies expanding access to dental insurance for uninsured children.

- **Prevention of Unintentional Injuries:** Grants addressing this funding priority should focus on creating physically and emotionally safe environments for children in order to prevent unintentional injuries. Examples of these types of activities could include (but are not limited to) building the capacity of agencies that provide education to parents about how to prevent injuries in young children; community advocacy for safe neighborhoods for children; or advancing policies requiring childcare providers to institute specific safety procedures.

**Types of Approaches:** The Responsive Giving Fund would fund two of the approved types of approaches under Open Grantmaking, capacity building and policy and advocacy.
Promising and scalable activities will be funded through the Social Venture Fund as outlined in the following section.

- **Capacity Building**: Capacity building is defined as activities that improve the ability of a group of residents, an organization, or a coalition of organizations that make up a community to support the healthy growth and development of children prenatal through five and their families. This definition encompasses a wide range of activities that can contribute to a measurable improvement in the overall management capacities of a group, organization, or coalition, ultimately leading to an improvement in the quality and quantity of programs and services at that organization, the lives of constituents of the organization, and the quality of life in its community. Capacity building activities can relate to every aspect of the work of a group, organization, or coalition, and could include improvements to: governance, leadership, mission and strategy, administration, program development, fundraising and income generation, partnerships and collaboration, evaluation, marketing, staff training, or technology.

In applying for capacity building funds, applicants will be required to demonstrate a direct correlation between the proposed capacity building activity and their impact on one or more of the funding priorities. Only applicants that can demonstrate how their increased capacity will impact the approved funding priority outcomes will be considered for funding. However, for assessment purposes, evaluators will measure the collective impact on the goals of the Responsive Giving Fund. This fund will have a more distal impact on the funding priority outcomes as a result of building the capacity of groups, organizations, and coalitions to address those outcomes, as illustrated below:

Activities that will not be funded under capacity building include capital improvements, salaries for new or existing staff to provide direct services or support to direct service staff, curriculums to be used for direct services, endowments or other fundraising events, or core operating support.

- **Policy and Advocacy**: Policy and advocacy activities are defined as those that build public support for policies that promote the healthy growth and development of children prenatal through five and their families. Examples of the types of activities that could be funded include the following: 1) Activities that advance an idea around which too little is known or around which public will has not yet been built; 2) Activities that serve to advance an idea by clarifying positions, presenting research, and responding to opposition; 3) Activities that help to develop new information, bring additional voices
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into the debate, or encourage effective thinking on an issue; or 4) Activities that lead directly or indirectly to the passage of new policies.

Similar to capacity building grants, applicants for policy and advocacy grants will be required to demonstrate that their work will directly impact one or more of the funding priority outcomes. However, because of the wide range and large number of approved outcomes, evaluators will measure the collective impact on the goals of the Responsive Giving Fund through this investment, as illustrated below:

Activities that will not be funded under policy and advocacy include political organizations or campaigns, voter registration drives, lobbying for specific legislation, or activities with sectarian purposes.

Funding Process for the First 5 LA Responsive Giving Fund:
The funding process for the Responsive Giving Fund is based on lessons learned at First 5 LA and a wide-ranging scan of other funders, including in depth interviews with the California Endowment, the California Wellness Foundation, the California Community Foundation, the W.M. Keck Foundation, and the Weingart Foundation. This information has been compiled to create a process as outlined below:

Application Process: In interviews and website reviews of fifteen foundations, virtually all conduct their responsive grantmaking as a two step process, beginning with an initial Letter of Intent (LOI) and followed by a proposal process, which is submitted by invitation only. A similar two-step process was used for the Community-Developed Initiatives (CDI) process and helped staff to streamline work in response to an overwhelming number of proposals.

This two step process maximizes staff resources by streamlining the internal review process and by allowing LOIs to be triaged or disqualified by a lower level staff person, if they clearly fall outside the parameters of the Responsive Giving Fund. Because full proposals are submitted by request only, Program Officers are only required to review those proposals that are appropriate for funding from the Responsive Giving Fund. This process also benefits community members who will not have to spend the time or resources to complete a full proposal for programs that fall outside the parameters of the fund.

Because staff value the time and effort required for community members to create a full proposal, only those LOIs with the highest potential for selection will be requested to submit a full proposal for funding. It is expected that 80-90% of the requested full
proposals will eventually be recommended for funding. Therefore, criteria will be clearly stated and a rigorous review will be conducted at the LOI phase.

Review Process: Staff have held multiple discussions with funders focused on how they conduct their review process in order to ensure equitable distribution of funds, while also investing in organizations with the highest potential to achieve results. These discussions revealed that foundations are using an ecological model of review at every stage of their responsive grantmaking that considers the applicant’s strategic placement in their community and the potential for the success of the project without using a formal review tool. Some of the major questions that these Program Officers ask include:

- Does the proposed project match and advance the mission of the agency?
- Has the agency been successful in implementing a project of similar size and scope in the past?
- What is the niche of the organization/program within the work of the field?
- How is the organization strategically positioned in its community to accomplish this work?
- Does the agency have a good plan in place to implement the program and to raise additional funds, if needed?
- Does the agency have the right people in the right places to implement the program?

The environment at First 5 LA is unique due to the responsibility of using public dollars and the necessity of conducting a transparent review process. Therefore, staff are proposing the creation of a formal review tool for both the LOI and proposal phase that also allows for flexibility to consider the environmental context within which programs will be operating.

**Letter of Intent Phase:** LOIs will be reviewed using this formal review tool. Two points exist at which applicants could be declined during the LOI phase:

1. *Initial intake screening* – Applicants can be eliminated at this phase should they fail to submit required documents, or if the proposed project clearly falls outside the stated parameters of the Responsive Giving Fund.

2. *Program Officer review* – Program Officers will review the LOI for content to ensure that it matches the intent of the Responsive Giving Fund. They will also review whether the agency is/was in compliance with any previous grants from First 5 LA and whether the applicant has the financial and programmatic capacity to implement the proposed project. Applicants can also be eliminated at this phase if the program design and agency capacity is less competitive than other applications submitted during the review cycle.

**Proposal Phase:** Proposals will be reviewed using a formal review tool. In addition during this phase, First 5 LA staff will conduct interviews with staff at the applicant agency, a site visit, and interviews with other funders or partner agencies of the proposer. Two points exist at which the applicant could be declined during the proposal phase:

1. *Peer review session* – Proposals will be reviewed by Program Officers and external reviewers based on a number of criteria and using a formal review tool. This step of
the review process will also include a site visit and an external scan. The appropriate Program Officer will make a formal recommendation that will be discussed at a peer review session where decisions on declinations and recommendations for funding will be finalized.

2. Commission meetings – Proposals will be recommended for funding at twice yearly Commission meetings. At these meetings, Commissioners may decide to decline any proposal for funding.

Timeline: Staff are proposing that the Responsive Giving Fund operate with a total of four cycles. Given the necessary lead time to develop the LOI and proposal, create a comprehensive review tool, select an external evaluator, and conduct community outreach and engagement, it is proposed that a funding announcement be released at the end of February 2007. Therefore, staff are proposing the following timeline:

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<th>LOI Due</th>
<th>Proposal Due</th>
<th>Board Approval</th>
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<td>Cycle 2</td>
<td>October 9, 2007</td>
<td>January 14, 2008</td>
<td>April 10, 2008</td>
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<td>Cycle 3</td>
<td>April 21, 2008</td>
<td>July 14, 2008</td>
<td>October 9, 2008</td>
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<td>Cycle 4</td>
<td>October 6, 2008</td>
<td>January 12, 2009</td>
<td>April 9, 2009</td>
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Approximate Funding Breakdown: Staff are proposing four cycles of funding based on an analysis of funds currently available to the Responsive Giving Fund:

| Total Funds Available*: | $24,000,000.00 |
| Reserved for Oral Health and Nutrition: | $ 6,000,000.00 |
| Reserved for Social Venture Fund: | $ 2,400,000.00 |
| Reserved for consultants: | $ 200,000.00 |
| Amount remaining for Responsive Giving Fund: | $15,400,000.00 |

*Additional allocation possible from Open Grantmaking funds for sunsetting initiatives

Staff are proposing that the maximum amount for a capacity building grant be $150,000 (to be paid out over a maximum of five years). This number is based on a scan of the average size of capacity building grants from other funders. It is also based on an analysis conducted for First 5 LA by Semics, Inc. which found that a cap of $75,000 for capacity building activities is generally perceived as effective in attracting small CBO participation. It is anticipated that many capacity building grants will not take a full five years to implement nor will the full amount of $150,000 be needed by many organizations.

Staff are proposing that the maximum amount for a policy and advocacy grant be $500,000 (to be paid out over a maximum of five years). It is more difficult to scan the average size of a policy or advocacy grant because many organizations are just beginning to distribute this
type of funding. However, a limited analysis found this amount to be an appropriate range. This number is based on the recognition that wide variation exists in the costs of policy and advocacy activities.

Staff are viewing these amounts as true maximums and anticipate that many grants will cost far less. Based on these numbers, it can be projected that a minimum of nine (9) capacity building grants and five (5) policy and advocacy grants will be given out per cycle, resulting in a minimum of thirty-six (36) capacity building grants and twenty (20) policy and advocacy grants to be given out through the Responsive Giving Fund. However, it is anticipated that many more grants will be given out than what these numbers reflect. Materials released to the public will emphasize the maximum amount of funding to be given out per cycle as opposed to the maximum amount per grant in order to dissuade agencies from applying for the maximum amount possible, when perhaps unnecessary for the scope of work or agency size.

**Eligible Applicants:** To be eligible to apply for funding from the Responsive Giving Fund, applicants must be exempt under Section 501(c)(3) of the Internal Revenue Code. Parent groups and other small groups can be eligible to apply if using a fiscal agent. In addition, coalitions of organizations are welcome to apply jointly with one organization serving as the lead. All applicants must also be able to meet the minimum standards required by First 5 LA including having an audit for the agency’s most recent fiscal year and the appropriate level of insurance. In addition, the approved Open Grantmaking conceptual framework states that organizations working in the targeted communities or projects that impact the entire county, will be prioritized.

The Commission values funding agencies of all sizes and years of experience. The use of a Letter of Intent at the outset of the funding process is meant to minimize barriers to smaller agencies with less capacity to apply for funding. In addition, Program Officer support will be available during the application process to assist agencies less familiar with the LOI and proposal submission process. However, staff are proposing that no limit exist on the size of the agencies eligible to apply. Staff found that limiting the size of eligible agencies proved to be difficult during the CDI-Small Grant process and in some cases rendered ineligible a number of agencies who would have otherwise benefited from capacity building monies. For the Responsive Giving Fund, staff are proposing that all agencies meeting the above listed criteria be eligible to apply, however priority will be given to those agencies that are most strategically placed to have an impact on their community relative to the funding priorities. Thus, small community agencies who understand their population and the dynamics of their community are well-positioned to receive grants through the Responsive Giving Fund.

**Monitoring and Supporting Grantees:** To assist grantees in successfully achieving and sustaining outcomes for children, families, and communities, First 5 LA will utilize existing monitoring mechanisms and technical assistance support, as well as new resources related to sustainability and capacity building.

First 5 LA staff will monitor grants for **oversight and compliance.** Monitoring methods will include: 1) conducting and documenting compliance and site visits; 2) tracking contractually required documents; 3) monitoring progress towards meeting objectives via
the scope of work; 4) reviewing progress and evaluation reports and providing formalized feedback; and 5) making recommendations related to funding renewal. Oversight and compliance will include ensuring that grantees are meeting their goals relative to the funding priority outcomes. First 5 LA has also developed a compliance guide to assist staff in proactively identifying issues that may impede or delay the progress of a program, project, or other deliverable. The guideline has been developed to provide a uniform approach to monitoring grantees for regulatory compliance and for tracking deliverables and program performance.

Grantees will be required to submit semi-annual progress reports and year-end evaluation reports. For those funded agencies that have tangible deliverables, additional reporting deadlines may be developed. Grantees will also receive an annual site visit.

In understanding the challenges facing community agencies as they try to achieve positive outcomes for children, First 5 LA will provide technical assistance and capacity building through a variety of approaches. Grantees will be periodically assessed for capacity building opportunities and provided technical assistance related to programs, sustainability, and evaluation. Technical assistance will be delivered through several vehicles, including: 1) individual and group technical assistance; 2) learning forums for skill-building, information sharing and networking; and 3) group workshops. Whenever possible, staff will provide information about best practices, lessons learned, and funding opportunities.

First 5 LA is also developing a more formalized structure to deliver sustainability/capacity building resources to grantees. Minimally, this could include participation by grantees the Sustainability Projects. Grantees of the Responsive Giving Fund can be required to participate in this training and asked to allocate the appropriate staff and budget amounts to make this feasible. Additional sustainability/capacity building components are currently in the process of development.

Staff and Consultant Roles: As is standard practice, the Planning and Development (P&D), Grants Management (GM), and Research and Evaluation (R&E) departments at First 5 LA will work together to ensure the grantmaking process is transparent and that each department’s expertise is realized at each stage. P&D staff will take the primary lead in all grantmaking processes with GM staff providing support during the funding process for each cycle. After funds have been awarded, GM staff will take the primary lead on the implementation and grantee monitoring process with P&D staff providing support in order to create an effective feedback loop whereby results and information essential to the ongoing improvement of the Responsive Giving Fund are constantly available. R&E staff will assist in communicating information to staff and Commissioners regarding the effectiveness of the fund. Staff from other departments (finance, policy, public affairs) will support the fund as necessary and appropriate.

As resources and needs are determined, staff may solicit support from experts in the field. The most anticipated consultant support will be required during the initial roll-out of the Responsive Giving Fund where criteria for funding, guidelines, tools, environmental scans, evaluation, outreach planning, and materials would need to be developed prior to funds being released to the public. In this case, consultants would work under the direction and in close coordination with First 5 LA staff to execute activities. It is anticipated that a
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Consultant may also be needed to provide technical assistance to policy and advocacy grantees in successfully implementing their projects. Staff are proposing to reserve $200,000 in Open Grantmaking funds for programmatic consultants. Should some or all of these funds not be needed, they would be rolled into the funds available for grantees.

Sustainability: The Commission has increasingly prioritized sustainability of its investments for its importance to expanding its impact. The Responsive Giving Fund will primarily address this issue through the types of grants that will be given out, moving away from direct services toward grants that will focus on more systemic issues. In addition, all grantees under the Responsive Giving Fund will be asked to participate in the Sustainability Project through First 5 LA and to allocate appropriate monies and staff time to make this feasible. Additional technical assistance will be available to these grantees as it is developed by First 5 LA. Grantees are not required to provide a funding match nor will funds be diminished per year. It is not felt that these types of sustainability strategies are appropriate given the types of grants that will be distributed.

V. First 5 LA Social Venture Fund

High engagement philanthropy as a funding mechanism could be applied across many of the initiatives currently in development at First 5 LA, including the Prenatal through Three focus area and Workforce Development. This document is intended to outline how the philosophy of high engagement philanthropy could be piloted at First 5 LA using a portion of the Open Grantmaking funds. To that end, staff a proposing the First 5 LA Social Venture Fund as an enhancement of the way the Commission has traditionally partnered with community organizations.

Goals of the First 5 LA Social Venture Fund:
Based on the information outlined above, staff have identified two major goals for the First 5 LA Social Venture Fund:

1. To allow the Commission to effectively achieve positive outcomes for young children within the identified funding priority

2. To allow the Commission to pilot a new funding and monitoring mechanism in order to evaluate its effectiveness and potential use within other First 5 LA initiatives or investments

The evaluation of the Social Venture Fund, as outlined below, is designed to inform the Commission’s thinking based on both of these goals.

Framework for the First 5 LA Social Venture Fund:
Staff are proposing that the First 5 LA Social Venture Fund address one of the approved funding priorities and one of the approaches. The rationale for narrowing the scope of this fund is outlined below.

Funding Priorities: Given the nature of the work associated with the funding priorities and the importance of being able to focus our resources, staff are proposing that the First 5 LA Social Venture Fund engage partners with the specific expertise to improve parent’s ability
to support their child’s learning. Staff are proposing this focus based upon an acknowledgment that good nutrition and oral health activities have received a separate allocation from Open Grantmaking per the Commission’s directive. In addition, the approved outcomes for physical activity and the prevention of unintentional injuries can be addressed through the capacity building and policy and advocacy approaches approved in the conceptual framework.

Since its inception, First 5 LA has sought to fund innovative methods for encouraging parent’s ability to support their child’s learning. The Family Literacy Initiative, the School Readiness Initiative, many of the Community-Developed Initiatives, the Home Visitation Expansion Initiative, and Childcare I and II grantees focused on developing parent’s ability to prepare their children for school. Through these investments, First 5 LA has built collective knowledge around the crucial factors that increase parents’ capacity. Focusing funds on this priority will allow the Commission to fund an ecological approach to community change in order to improve outcomes for parents and children. Examples of this work could include investments to change the environmental or social context to better support young families, such as opportunities that increase families’ social connectedness or the creation and dissemination of culturally sensitive parenting practices. Finally, it will allow the Commission to inform policy across local cities, the county, and the state, regarding effective practices for changing community outcomes for parents and children.

Types of Approaches: Staff are proposing that the Social Venture Fund direct funding to promising and scalable activities under Open Grantmaking. Promising and scalable activities are those that “have proven effectiveness on a small scale to support the healthy growth and development of children prenatal through five and their families.” Funding promising and scalable activities in this manner will allow the Commission to target specific agencies that can best facilitate its achievement of identified outcomes. It will prevent an overwhelming number of proposals claiming to be promising and scalable from being submitted through a responsive grantmaking process. It will also give the Commission the opportunity to pilot an idea and assist in taking it to scale. For a program or approach to be considered “promising and scalable,” it must be an idea on the cusp of advancement where a small infusion of dollars will make a large scale difference.

Funding Process for the First 5 LA Social Venture Fund:
In developing the concept for the Social Venture Fund, staff completed extensive research in the field of high engagement philanthropy and interviewed staff at four foundations that have been conducting high engagement philanthropy for up to ten years (Center for Venture Philanthropy, Edna McConnell Clark Foundation, Roberts Enterprise Development Fund, and L.A. Social Venture Partners). This research has informed the development of the Social Venture Fund process proposed below:

Selecting Partner Agencies: High engagement philanthropists have utilized several methods to select partner agencies. In considering the context and lessons learned at First 5 LA, staff are proposing the following process to identify and select partners:

1. Select a funding priority (i.e. parent’s ability to support their child’s learning) and conduct a thorough investigation of the issue, including a literature review, research, and conversations with experts in the field.
2. Upon compiling this information, staff will work with stakeholders to narrow the scope of the issue, to create a theory of change, and to develop a strategy for addressing a specific focus within this issue.

3. Through the course of this research, staff will create criteria-based protocols and identify one or more agencies currently conducting critical work in the field with whom the Commission could partner.

4. Staff will approach these agencies to receive their input on the theory of change and to invite them to participate in implementing it.

5. Should the agency agree, a MOU will be developed between First 5 LA and the partner agency outlining a Scope of Work with clear performance measures.

6. Part of the Scope of Work will outline an exit plan clearly stating the expected outcome at the conclusion of the relationship and steps for achieving it.

This process is similar at the outset to the steps of developing an initiative at First 5 LA. The point of divergence occurs at step #3 where rather than hold a competitive bid process, the Commission would identify potential partners based on a set of criteria-based protocols and their strategic placement in helping the Commission to accomplish its goals. Partner agencies will then be invited to participate in the project as “strategic partners.” If necessary due to legal constraints and to ensure the selection of the most qualified agency possible, the Commission may choose to use an open bid process to secure partner agencies.

Characteristics of Partner Organizations: As stated above, the field of venture philanthropy continues to evolve in its understanding of what characteristics contribute to a high engagement relationship’s success. Different funders bring different values to the table, as well. Some desire to be involved in purely start-up ventures, while others value working with grantees with the greatest potential for success, regardless of the organization’s stage of development.

Of the four funders interviewed by First 5 LA, each one looked for the most strategically-placed organizations in the field to partner with. Because the funder is intimately engaged in every aspect of the partnership from design to implementation, they also have a vested interest in seeing the program achieve its outcomes. Therefore, the imperative is on partnering with organizations with the highest potential to achieve the goals of the partnership. Staff is proposing that the Social Venture Fund select programs based on the following set of criteria:

- Effective and engaged leadership
- Alignment with the mission of the First 5 LA Social Venture Fund
- A desire to work in a high engagement relationship and to serve as a demonstration site for testing policy-relevant approaches
- Stable finances
- High quality programs with a strong potential to deliver results
- Expertise and strategic placement within their community
FIRST 5 LA OPEN GRANTMAKING
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Because First 5 LA values partnering with new and emerging organizations, this fund would prioritize funding these types of agencies when the above criteria are met.

Relationship Building with Partner Agencies: A major distinctive of high engagement philanthropy is its philosophy of “grantee monitoring” once a MOU is solidified. In this model, the funder and the partner agency traditionally work together to design the program and develop a Scope of Work. Once this work is finalized, the relationship shifts focus to that of continually checking progress, refining the program, and ongoing planning to be as effective as possible in achieving outcomes.

Based on this model, the First 5 LA Program Officer would meet with the partner agency at least once per quarter in a formal meeting to review progress towards all deliverables. In addition to this formal meeting, the Program Officer will usually talk with partner agencies on a weekly basis and see them informally at least once per month. At the conclusion of each year, the Program Officer and partner agency staff will meet to complete a year-end summary and to jointly develop the Scope of Work for the year ahead. Building relationships with the partner agency in this manner will give First 5 LA a clear view of how the project is completing its deliverables from month to month and it allows the Commission to quickly respond to unexpected challenges or opportunities.

Approximate Funding Breakdown: Staff are proposing that 10%, or $2.4 million, of the total amount of Open Grantmaking funds be allocated to the First 5 LA Social Venture Fund. Of that amount, approximately $400,000 would be reserved to fund a team of consultants and advisors to support partner agencies on an as needed basis. This support can vary widely but frequently includes strategic planning, fund development, board development, executive leadership training or recruitment, etc.

Funds will be dispersed over the course of the next three years, coinciding with the end of the Next Five Strategic Plan in 2009 (although grants can continue beyond 2009). Based on interviews with other high engagement philanthropists, it is estimated that grants will last an average of five years and be funded for an average of $100,000 per year. Therefore, approximately four (4) agencies can become partners with First 5 LA through this fund. In addition to $500,000 in direct funds, each partner agency would also receive approximately $80,000 in in-kind support over the course of five years.

In the high engagement model, funds are more flexible than in traditional grant giving. This means that partner agencies have flexibility to adapt their budget to respond to changing trends. It also means that the funder has additional dollars to infuse in the form of consultants or additional assistance, should an unexpected need arise. It is proposed that in this model, flexible dollars could be drawn down from the $400,000 in reserve funds.

Leveraging additional dollars: In high engagement philanthropy, the initial funding agency does not act as a sole funder of the project. Instead, they work with the partner agency to develop additional funding streams. In some instances, the funder and partner agency jointly write proposals for public or private funds. In other cases, the funder cultivates relationships with individual donors interested in supporting the work of the fund. As the Social Venture Fund is refined, staff will work to develop partnerships with other funders in order to jointly fund partner agencies to conduct this work.
Staff and Consultant Roles: By definition, high engagement philanthropy requires higher engagement. Therefore, it necessitates a staffing level above what is needed for traditional grant giving. Management of the Social Venture Fund will include:

- Completing a literature review, research, stakeholder interviews, and a theory of change for the funding priority area
- Narrowing the scope of the agencies that First 5 LA could potentially fund
- Developing criteria-based protocols for participation in the fund
- Conducting a scan of agencies in LA County and inviting eligible organizations to partner with First 5 LA
- Developing a MOU and Scope of Work with the partner agency
- Selecting a pool of consultants through an RFQ process to be available to assist partner agencies
- Building an open and mutually beneficial relationship with partner agencies
- Connecting consultants with partner agencies, as appropriate
- Developing additional funding streams for the fund and the partner agency
- Monitoring partner agency accomplishments in reaching performance measures
- Planning for the future of the partner agency and the Social Venture Fund

A unique and important component of high engagement philanthropy is the role that consultants or technical assistance providers play in supporting the partner agency. In traditional funding models, if TA is given, it is often to a whole group of grantees at once or in a static manner not specifically directed to the needs of any one grantee. In the high engagement model, partner agencies are given TA tailored to their specific needs as an agency. TA may be planned at the beginning of the grant or provided by Program Officers, but flexibility exists to provide consultants to address specific issues that may arise during the course of the relationship.

VI. Evaluation of the Open Grantmaking Investment Area

The evaluation of the Responsive Giving and Social Venture Funds is based on First 5 LA’s revised Evaluation and Accountability Framework. It serves three purposes namely: 1) oversight and compliance; 2) program and organizational improvement; and 3) assessment of merit and worth. For more information, please refer to the Evaluation and Accountability Framework approved by the Commission in October 2006.

Approach and methods: Using various mixed methods of data collection, the evaluation approach intends to create multiple open spaces through which data could flow. As a result, the Commission should be able to generate an in-depth understanding of the practices of responsive grantmaking and high engagement philanthropy and the results produced by grantees. In addition, this approach should yield rich data and information on characteristics of grantees and their participants, broad-based changes, participant perspectives on their experience and its impact, and the relevance of these funding approaches to the current goals and funding priorities of Open Grantmaking.

Evaluation process: Oversight and compliance of grantees will be carried out internally at First 5 LA in an integrative, interdepartmental manner. Its major components,
performance measurement and MOU compliance, will be conducted in a way that is consistent with the roles and responsibilities of each department, as detailed above.

To address the remaining evaluation purposes, namely 1) program and organizational improvement and 2) assessment of merit and worth, R&E staff will take the lead in carrying out an evaluation strategy involving working with grantees, First 5 LA, and other stakeholders in addressing specific evaluation questions. Staff are proposing an allocation of $250,000 each year over five years from the current R&E budget to cover the costs of this evaluation.

With these resources, First 5 LA will implement a comprehensive process to identify a contractor at the outset of implementation who will work with First 5 LA staff and grantees, once selected, to: 1) collectively develop a Theory of Change for capacity building and policy and advocacy; 2) design a comprehensive evaluation plan that includes data collection methods, tools, and activities that are consistent with Commission-level accountability projects; 3) analyze the data in ways that address both the evaluation questions, as outlined below, and relevant aspects of Commission-level accountability; 4) synthesize internal and external data in meaningful and purposeful ways; 5) provide periodic feedback to grantees, staff, and Commissioners; and 6) produce popular, user-friendly materials and products that captures both emerging data and information and overall evaluation data and findings. Commissioners will be updated on a regular basis about the evaluation findings of Open Grantmaking.

**Evaluation Questions:** Understanding achievements of grantees and partner agencies, based on a theory of change, and learning together as a community of social change agents with specific roles are the underlying motives for posing a set of evaluation questions specific to each funding mechanism. To answer these questions, two parallel processes take place: first, each grantee is accountable for tracking its short-term outcomes associated with project-specific objectives, fund-specific goals, and ultimately to the funding priority outcomes; and second, First 5 LA and an evaluation consultant capture the overall extent to which the proposed goals of Open Grantmaking are achieved.

<table>
<thead>
<tr>
<th>Evaluation Questions</th>
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<tbody>
<tr>
<td><strong>Responsive Giving Fund</strong></td>
<td><strong>Social Venture Fund</strong></td>
</tr>
<tr>
<td>• What have we learned in implementing the Responsive Giving Fund from the perspective of grantees, participants, and First 5 LA staff?</td>
<td>• How does Social Venture Fund work at First 5 LA and at its partner agencies?</td>
</tr>
<tr>
<td>• What changes have occurred in the participants, organizations, and communities as a result of the Responsive Giving Fund?</td>
<td>• What do stakeholders - First 5 LA and partners- gain from it?</td>
</tr>
<tr>
<td>• How could this funding mechanism be improved based on experience and practice?</td>
<td>• Should First 5 LA continue or expand the use of this funding mechanism as a community engagement strategy with other investments?</td>
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In focusing evaluation efforts on questions specific to each type of funding mechanism, First 5 LA will have a first-hand understanding of the nature and value of each type as applied in specific contexts. As a result, the Commission should be able to examine and refine its early views, assumptions, concepts, principles and definitions of both types of funding mechanisms. Moreover, an in-depth description of the various aspects of this funding process (e.g. role of First 5 LA, role of evaluation, role of grantees, challenges and dynamics of relationships, alignment of interests, results, and implications for First 5 LA, agencies, and the field of grantmaking) will provide realistic insights in improving the practice of funding at First 5 LA.

As demonstrated by previous work with First 5 LA grantees, this approach will enable grantees to improve their craft in evaluating their programs and projects. To assist them in developing this ability, each grantee would be required to allocate 3-5% of their budget towards evaluation. Moreover, by being involved at the outset of the evaluation process, grantees will feel that they are participants and not spectators in evaluation, leading to stronger, more vested connections within the grantee cohort and between grantees and First 5 LA. Mutual support and peer learning will be a natural and organic consequence of this dialogic process. Finally, this evaluation will contribute to the formal and informal network building processes among First 5 LA grantees in Los Angeles County.

VII. Conclusion

Both the First 5 LA Responsive Giving Fund and the First 5 LA Social Venture Fund represent exciting opportunities for the Commission to explore the use of these mechanisms for funding. Evaluation of these Commission-engagement strategies will inform the creation of the next strategic plan and will allow the Commission to continue to evolve as a learning organization. In addition, application of this implementation plan can result in:

- Allowing First 5 LA to develop more engaged relationships with its grantees and partners;
- Giving the Commission the opportunity to invest in programs and strategies that position it as a trend setter in the field of philanthropy;
- Helping First 5 LA to reach positive outcomes for children and families in a cost-effective manner;
- Sustaining positive outcomes for children through strategic investments in capacity building, policy and advocacy, and promising and scalable approaches.
### First 5 LA Open Grantmaking Conceptual Framework

**Open Grantmaking Allocation:**
Minimum $24 million

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**FUNDING PRIORITIES**

<table>
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<tr>
<th>Early Learning:</th>
<th>Health:</th>
<th>Safety:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent’s Ability to Support their Child’s Learning</td>
<td>Good Nutrition, Physical Activity and Oral Health</td>
<td>Prevention of Unintentional Injuries</td>
</tr>
</tbody>
</table>

**Outcomes**

- Community residents, including parents/caregivers, socialize regularly and have strong relationships
- Parents/caregivers have knowledge of parenting and developmental milestones
- Communities provide parents/caregivers with concrete support in times of need
- Communities have adequate access to fruit and vegetables
- Children consume the recommended intake of nutrients, including fruits and vegetables
- Communities have appropriate locations and opportunities for physical activity
- Children participate in age-appropriate physical activities
- Lower rate of overweight children
- Oral Health Outcomes (to be determined)
- Fewer children receive an unintentional injury
- Communities and families provide physically and emotionally safe environments for children

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**TYPES OF APPROACHES**

<table>
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<tr>
<th>Capacity Building</th>
<th>Policy and Advocacy</th>
<th>Promising and Scalable</th>
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<tbody>
<tr>
<td>Activities that improve the ability of a group of residents, an organization, or a coalition of organizations that make up a community to support the healthy growth and development of children prenatal through five and their families</td>
<td>Activities that build public support for policies that promote the healthy growth and development of children prenatal through five and their families</td>
<td>Activities that have proven effectiveness on a small scale to support the healthy growth and development of children prenatal through five and their families</td>
</tr>
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Appendix B

FIRST 5 LA OPEN GRANTMAKING
IMPLEMENTATION PLAN

Open Grantmaking Investment Area

Responsive Giving Fund

Social Venture Fund

Goals

To achieve lasting and meaningful results in its community by improving the overall management capacities of a group, organization, or coalition around one or more of the identified funding priorities

To increase community awareness and support for policies that improve the quality of life of children prenatal through five as defined in one or more of the identified funding priorities

To allow the Commission to effectively achieve positive outcomes for young children within the identified funding priority

To allow the Commission to pilot a new funding and monitoring mechanism in order to evaluate its effectiveness and potential use within other First 5 LA initiatives or investments

Types of Approaches

Capacity Building

Policy and Advocacy

Promising and Scalable

Funding Priorities

Parent’s Ability to Support their Child’s Learning

Good Nutrition

Physical Activity

Oral Health

Prevention of Unintentional Injuries

Parent’s Ability to Support their Child’s Learning