

# Chapter 1

SETTING THE COURSE: 2009 TO 2013

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## Sooner Rather Than Later

*The S. D. Bechtel, Jr. Foundation Spend-down Journey*



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This chapter chronicles the activation of the spend down and its implications for Foundation practices and operations. It follows the prologue to the Foundation spend-down story. Additional chapters will be written about the Foundation's decisions, progress, and lessons learned through its conclusion.



## Chapter 1 | Context and contours of the early spend-down years

### **The 2009 decision by Stephen D. Bechtel, Jr. and the Foundation Board of Directors to spend down was a clarion call to focus.**

The Foundation's ambitions for the spend down, originally slated to conclude in 2016, were substantial. The board made its decision with the belief that California faced critical challenges that called for significant resources and creative solutions, and with a commitment from Mr. Bechtel to greatly increase his giving.

"We just couldn't do it all in the time we had available," is a refrain that President Lauren B. Dachs (Laurie) remembered from conversations at the time with Susan Harvey and Allison Harvey Turner, the respective Education and Environment Program leaders. The S. D. Bechtel, Jr. Foundation's lean staff, involved in multiple program areas and making a large number of relatively small grants, was not positioned to both expand the scale of the work and deepen involvement with each grantee.

All this spoke to making larger investments in fewer endeavors. The spend down would not be about doing more – much more – of the same programming. "I think we recognized it couldn't be business as usual when significant funds started coming in," Susan said. "We were making a lot of direct-service grants and it was clear that this approach wouldn't add up to enough impact." Accompanying this perspective was a persistent worry that, through larger and larger grants, grantees could develop an unhealthy dependency and be thrown into crisis when the Foundation's support ended.

As spend-down thinking began to take root in 2009, staff and board were driven equally to make the most of the Foundation’s growing funds and remaining time. The Foundation entered a period of active discernment, adding staff, exploring new possibilities, and making conscious choices to avoid or exit some program avenues. Staff sought and found opportunities aligned with the Foundation’s existing work, experimenting with initiatives, funding cohorts of grantees working toward mutual goals, and building organizational and field-level capacity. The board partnered in this approach, endorsing staff recommendations that were strategically responsive to California policies and events while representing pathways for achieving real progress in the spend-down years. Mr. Bechtel also brought forward his deep interest in youth development and desire for large-scale programming that could advance positive outcomes for young people.

Staff and board also began to address the implications of dramatic growth in annual Foundation grantmaking during the spend-down years. A total annual payout of \$42 million in 2009 became \$56 million in 2010, and then grew to \$82 million in 2011, nearly doubling in just 24 months. Projections for coming years indicated continued substantial increases in annual grant dollars.

In this context, the Foundation made a decision, in 2011, to extend its closing date to 2020. A longer runway provided greater opportunity for affecting change, and greater likelihood that change could be sustained after the Foundation’s last dollar was spent.

In 2012, the Foundation took stock of its operations based on the size of the task ahead. A new organizational structure and larger teams were formed to enable this philanthropy to double down on two areas of long-term support: STEM education and the environment. These areas represented life-long interests of Mr. Bechtel, and the decision to go forward with these priorities was built on knowledge and networks that staff had developed across years of grantmaking. These areas also reflected challenges staff recognized as highly complex, warranting increased investment of funds and time.

By year-end, Education Program energies and investments centered on STEM education in California and youth character development nationally. The Environment Program was focused on water management and land stewardship. The Foundation’s strategies in each of these arenas grew to include support for improved public policy. As these areas of emphasis for the spend-down years were established, several long-standing grantmaking efforts were culminated with significant, flexible final grants to nonprofit organizations.



*STEM education and environment became central to the Foundation’s focus.*

## Markers of transformation

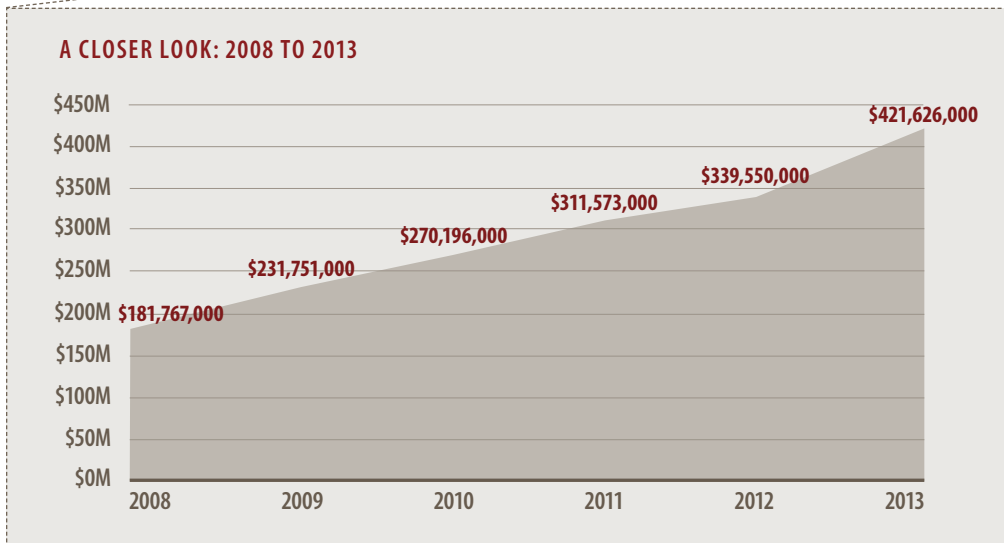
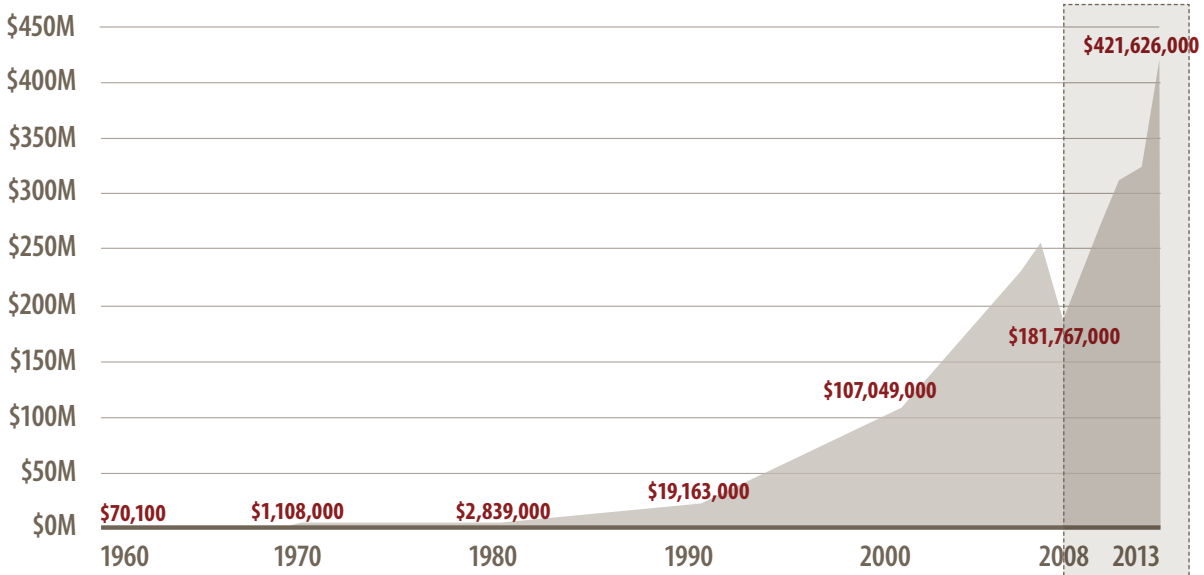
The early spend-down years were time for the Foundation to assess its experience, current programs, and near-term opportunities, and to chart direction for its remaining years. An intensive internal analysis and planning effort, known as the “strategic refresh,” concluded in 2013 with board endorsement of a series of major initiatives – and with the Foundation moving from 20 lines of work to eight portfolios, each with specific outcomes defined.

FROM (2008)		TO (2013)
Funding several program areas	➤	Marshaling a majority of resources to address two priorities: education and environment
Making many relatively modest grants (\$25,000 median grant size)	➤	Conducting a select number of multimillion-dollar, multi-year, multi-grantee initiatives
Granting primarily in the San Francisco Bay Area and the Central Valley of California	➤	Investing statewide, with one major national initiative
Supporting individual projects, direct service programs, and capital grants	➤	Working at scale – seeking systems change and employing approaches to improve policy, strengthen fields, partner with funders, and boost the capacity of vital agencies
\$42 million in annual grants and contract payments	➤	\$109 million in annual grants and contract payments
7 full-time staff positions	➤	24 full-time staff positions
Perpetual foundation	➤	Limited-life foundation (with initial 2016 end date extended to 2020)

## Increasing resources

Foundation resources rose rapidly as the spend down got underway. Founder Stephen D. Bechtel, Jr. made additional substantial contributions to the organization in these years. Those new dollars, combined with recovery and growth in financial markets following the Great Recession of 2007 to 2009, created significant new assets to fuel expanded grantmaking.

### ENDOWMENT SNAPSHOT



## Education Program: Investing in knowledge, skills, and character

Foundation staff were involved with several program areas that directly or indirectly involved education in the years preceding the spend-down decision. They made grants supporting STEM (Science, Technology, Environment, and Math) education, youth development, civic education, and environmental literacy. They supported school programs and out-of-school programs. A companion strand of grantmaking was directed to school-based health services. The Foundation also funded engineering scholarships to several U.S. universities; this activity dated to the 1980s.

Grantmaking was sustained in these arenas despite the challenges of working with and through public school systems, even as some high-visibility philanthropic investments in education were deemed failures. While some grantmakers left the education space altogether – Laurie Dachs and Susan Harvey each recalled funders “being unsuccessful in trying to influence education” – the Foundation never considered an exit.

However, by 2009 staff knew it was time to revisit their approach. “My sense was that there were so many different things going on that it was really difficult to feel like you were going to be able to push any boulders up the hill,” Laurie stated. “One couldn’t see the connections in most cases between the various areas, and there were a lot of areas.”

Susan added, “Each of the areas we were funding had its own agenda, and so there was little coordination. And we thought, ‘What is this going to amount to after we close our doors if we don’t think about interconnections within this work?’”

As the spend down got underway, the Foundation realized that, in Susan’s words, “Most of these areas *were* about education and should be consolidated. We should be looking at them as a whole. Therefore, we restructured them to all be within one program. Over time, we slowly dropped off some of the ones we felt were not closely aligned or aimed at systems change, or ones where we felt we couldn’t achieve much within the time we had left.”

By 2013, the Foundation had moved to a revamped Education Program with two primary interests: STEM education and character development.



*In the early spend-down years, the Foundation consolidated its Education Program grantmaking, emphasizing STEM and character development.*

## STEM education

The STEM portfolio that took shape in these years traces to Mr. Bechtel's roots in the East Bay, and his long commitment to math and science education in that region. The Foundation drew inspiration and lessons from its grantmaking in support of Oakland Unified School District as well as area nonprofits serving young people outside of school.

The Foundation's funding strategies were influenced by two events that changed the California education landscape. Common Core State Standards for Mathematics were adopted in 2010, and Next Generation Science Standards were adopted in 2013.

This portfolio also responded to the realities of the broader field. STEM education investments to date had been directed largely to out-of-school programming, pointing to an opportunity and need for more in-school supports.

Through interaction with California policy leaders and other STEM education experts, assessment of the challenges and possibilities inherent in the new state standards, as well as reflection on the Foundation's own experience with STEM education, a series of major initiatives emerged by 2013: Math in Common®, Next Generation Science Standards Early Implementers, and New Generation of Educators for California.

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*We spent considerable time rethinking our strategy. And one of the things we decided was that it's easier to walk through an open door than to break one down to get in. We started looking at what would be a good vehicle for our interest in STEM education. We'd done a lot of work in engineering earlier on but had not gotten the kind of traction we had hoped. Now there were new standards that had engineering in them as well as better science. But the education system was going to have to change to implement these standards and practices, and that posed challenges in the field.*

*At the same time, we saw that teacher preparation was not actually aligned with the new standards and practices, and wondered, 'how should we think about that?' The system was remediating on the back side for all these teachers who were trained for direct instruction as opposed to experiential learning and facilitated instruction. This resulted in spending a lot of money retraining teachers in the classroom to the new standards. We realized there was a need to be doing something on the front end. As a result, the Foundation reframed its focus on teacher preparation and began partnering with the California State University system.*

– SUSAN HARVEY

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Milestones in this era are summarized as follows:

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- 2011**

The Foundation awarded \$3.3 million to support math and science learning in two California school districts.
  - 2012**

The Foundation supported a coalition of grantees to advocate for a greater emphasis on science in the state's emerging educational accountability system.
  - 2013**

The Foundation announced the \$53 million Math in Common® Initiative, committing support that would ultimately span seven years and involve ten school districts, together serving more than 300,000 K–8 students, as they implemented instructional practices aligned to the Common Core State Standards for Mathematics.

The Foundation joined with the California Teachers Association, the Stanford Center for Opportunity Policy in Education, and the National Board Resource Center at Stanford, to create the Instructional Leadership Corps, an educator-driven collaborative to support professional learning for teachers.

The Foundation designed two additional major initiatives with initial grants slated for 2014:

    - The Next Generation Science Standards (NGSS) Early Implementers Initiative, which would involve eight school districts piloting instruction aligned with these standards.
    - The New Generation of Educators Initiative, which would engage campuses across the California State University system to reimagine teacher preparation in ways that would support instruction aligned with the new math and science standards.



### ***Paths concluded***

In establishing its spend-down direction, the Foundation concluded many years of investments in direct service grants as well as general education grants. This included difficult decisions to exit three education-related arenas.

Increased focus on K–8 STEM education led to ending decades of Foundation investment in engineering scholarships for university students. Weighing the two approaches, staff felt that the greatest potential for long-term impact was in K–8, and that being effective with STEM education in those years of youth development would boost the pipeline of students pursuing engineering degrees, ultimately satisfying the aim of the undergraduate scholarship program. This direction also aligned with Mr. Bechtel’s belief that children should have opportunities to engage as young scientists and engineers.

Environmental literacy is another once-large body of funding that the Foundation chose to wrap up early. While this work combined STEM education and the environment, staff and board recognized that creating impact at scale would require a large effort that would compete for resources in the spend-down years.

The Foundation also moved away from school-based health programs. This decision was especially hard for staff because these programs involved the physical well-being of young people. Ultimately, the Foundation determined that its greatest opportunity was in advancing STEM learning, and that maximizing its spend-down investment in that goal had the greatest potential for long-term impact.

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***Upon weighing program options in light of the Foundation’s remaining time and dollars, engineering scholarships, environmental literacy, and school-based health investments were concluded.***

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## Character development

Mr. Bechtel had an abiding interest in youth development. The Foundation was active historically with leading organizations in this area. The year of the spend-down decision, 2009, featured a \$50 million award for the Summit Bechtel Reserve, the signature outdoor adventure and learning facility for the Boy Scouts of America.



*Summit Bechtel Reserve (West Virginia); image courtesy of MASS Design Group.*

As staff and board sought to consolidate program investments and deepen focus for the Foundation's remaining years, Mr. Bechtel called for a national-level initiative that would develop the character and skills in young people that would serve them well as adults. Drawing on his own experience with the Boy Scouts, he viewed character development as a process through which individuals discover what is truly important to how they live their lives in a civic context and determine what they will do to embody these attributes.

Laurie Dachs summarized how Mr. Bechtel's passion for this topic had played out in the program strategies of the Foundation over time: "He wanted to find out how we could build civic engagement. How could we help young people develop the attributes and skills to become productive adults serving their communities? We first went at it in an academic sense, 'Okay, we're going to look at civics curriculum. We're going to look at teacher preparation and standards.' There was a lot of opportunity out there around civics issues.

"With the direction from my dad to create a national effort, and move beyond funding existing programs, which we had been doing primarily in Northern California, we really started having a deeper youth development conversation among staff and with the board. It came down to: 'How do you develop people with values that will then translate into being ethical and engaged members of society?' My dad is very much a patriot. And I think he was thinking very hard about kids growing up understanding the opportunities this country has to offer them. He wanted every young person to know their rights and their responsibilities."

As Susan Harvey recalled, “We started thinking about how we would structure a portfolio for big national organizations that were all very different.” Staff analysis, board discernment, and initiative design were supported by two consulting organizations over an extended period of time.

What emerged was the National Character Initiative, finalized in 2013 and launched in 2014. It is a \$126 million, five-year investment in youth-serving organizations in California and across the nation that are committed to using data to improve the character development practices of adult staff and volunteers working with youth. This Initiative, the largest ever for the Foundation, seeks to bring these practices to scale through a network of grantees who together serve over half the youth in the United States.

### ***Paths concluded***

The National Character Initiative built on earlier Foundation investments in youth development and civic education. It involved shifting support from these arenas, and from out-of-school STEM programs, to character development. This included winding down support for science centers and museums. While these had been areas of significant past investment for the Foundation, staff and board felt that consolidating resources against a primary focus was important to pursuing the greatest impact from spend-down investments.

## **Reaching young people through the adults they interact with**

Investing in the adults who serve youth was at the heart of the Foundation’s major programs for both STEM education and character development. The Foundation chose to invest in strengthening the approaches of teachers and administrators in school districts, and of staff and volunteers in major youth-serving organizations.

Adult practice was viewed as the lever to influence learning and youth development at scale, and commitment to this approach represented a significant strategic decision for the Foundation based on the spend-down dollars and time it had available. Creating structures and improvement processes that become embedded within in-school and out-of-school institutions could ensure that the benefits of better adult practice would be delivered to future generations of young people.

Susan summarized this emphasis, “It was clear that we were not going to be able to see outcomes in the character development work in the number of years we had left, but we would be able to observe whether adults were changing the way they practice. The same with educators. So instead of trying to reach each individual child, we’ll work with the people who reach many youth, and in that manner, we would scale the work.”



## YEARS IN THE MAKING: A RETROSPECTIVE VIEW

*In 2014, the Foundation began to describe its Education Program this way:*

The Education Program focuses on helping young people develop the knowledge, skills, and character to explore and understand the world around them, growing into caring, informed, and productive adults. The Foundation supports students and educators in STEM education and character development, and encourages effective education policy.

*Following are excerpts from Susan Harvey's 2014 letter to grantees, funders, and other partners, summarizing the Foundation's decision-making in the strategic refresh:*

Stephen D. Bechtel, Jr. has had a steadfast interest in improving STEM education for young students. For many years, the Foundation funded STEM programs in after-school settings and informal science institutions for younger students, as well as engineering scholarships for undergraduate students.

The Foundation's decision to sunset created an opportunity to invest significant resources in the short-term, enabling the Foundation to advance models that would illuminate the path toward successful implementation of new statewide standards. As a result, today the Foundation's STEM portfolio features three major initiatives made timely by the adoption of California State Standards for Mathematics and Next Generation Science Standards (NGSS).

Together, these bodies of work – Math in Common<sup>®</sup>, NGSS Early Implementers, and CSU New Generation of Educators – support the professional development of current and future educators across a range of districts (small and large, urban and rural) as well as at CSU campuses, in service of preparing teachers across the state for success in inquiry-based, experiential education for our state's children and youth.

In addition to STEM, the Foundation has long supported local youth development programs in the Bay Area in line with Mr. Bechtel's commitment to building character in young people. In 2013, at his urging – and as the culminating expression of this commitment to young people – the S. D. Bechtel, Jr. Foundation launched the National Character Initiative, aimed at materially improving the state of practice in child and youth character development nationally. Grants made through the Initiative go to national organizations that work at scale to develop youth with strong character and commitment to service and community. Funding supports grantees in testing models and developing systems for measuring and improving adult practice, as well as equipping those who mentor youth with the tools, knowledge, and resources to guide young people as they grow into responsible, caring, productive adults of integrity.

The Foundation's STEM investments in Math in Common, NGSS Early Implementers, and CSU New Generation of Educators, combined with the National Character Initiative compose the whole of the Foundation's commitment in the education arena through our sunset.

## Environment Program: Toward a resilient California environment and economy

After the spend-down decision in 2009, Allison Harvey Turner recalled that, “We definitely gave considerable thought about focus – about how to line up and right size our programmatic ambitions with our timeline and lean staffing model.”

Allison noted that, as the planning unfolded, “A real tension involved deciding how much to emphasize specific programmatic goals versus overarching institutional and field-building goals.” The mix of these objectives varied across the programs that made up the Environment portfolio, and shifted over time as this team continually recalibrated its aims and refined its approaches based on the years remaining in the spend down.

For example, much of the early spend-down focus was on building the organizational capacity of grantees and reducing their dependency on Foundation funding, which was initially slated to conclude in 2016. The Foundation’s 2011 decision, reported later in this chapter, to extend its end date to 2020 enabled a marked change in perspective. “The shift to 2020 freed us up to do much more,” Allison said. “We looked at the investments we had made to build capacity with fresh eyes; we had time to actually leverage this capacity.”

The Environment team now had a cohort of stronger nonprofits and more runway that enabled these organizations to take greater strides and pursue bolder aims. With more time, the Foundation also had the ability to elevate its capacity-building sights – extending beyond supporting more effective *organizations* to supporting more effective *fields*.

Staff knew that work in the water arena required a long view. A number of conservation organizations with experience engaging in California water management issues were poised to advance integrated water management projects and policies aligned with human and ecological water needs. However, these organizations were generally underfunded. Philanthropic support for nonprofits working on California freshwater issues totaled only \$12.6 million in 2010; as a result, the conservation field tended to focus on specific issues or regions. At the time, many stakeholders – individuals, organizations, and coalitions – outside of the conservation community were not actively involved in the dialogue about water management solutions in California.

“There were no California funders, there was no field,” Laurie Dachs recalled of the time when the Foundation began grantmaking in water. Rather than carve off a narrow slice of an issue as complex and interconnected as water, staff chose to focus on systemic approaches to advance the full range of water reforms needed to achieve equitable and enduring solutions. Knowing that the Foundation would not be able to fully address California’s water challenges before it closed, staff pursued building a field of actors who would be able to continue this work into the future. This direction translated into a commitment to help the field grow the depth, breadth, and resiliency needed to develop and implement solutions in both the near and long term. The Foundation’s investment, alongside funder partners, to launch the Water Foundation (at the time named the California Water Foundation) exemplified this commitment.

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*Deciding how much to emphasize specific programmatic goals versus overarching institutional and field-building goals was a real tension which shifted over time as the team continued to refine and recalibrate its objectives.*

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There was also a real need and opportunity to strengthen the technical and scientific support for decision-making in order to accelerate the transfer of knowledge between researchers, policymakers, and practitioners in the water arena. Given the time horizon involved in shifting practice and creating sustained impact, and the relatively few years available to the Foundation, “We realized that for some areas of investment, our best opportunity for impact was to build and leave behind knowledge,” stated Allison. “This would ultimately do more good than we’d achieve by implementing one-off projects.” The investment in research, through institutions including the Public Policy Institute of California, Stanford University, and the University of California at Davis, also reflected Mr. Bechtel’s ethic of decision-making based on science.

As with Education programming, external events influenced internal decisions in the Environment Program. In 2010, California elected Jerry Brown to a third term as governor; Brown was a strong leader on the environment with an in-depth understanding of the complexity and importance of water management. In 2011, California entered an intensive, multi-year drought, drawing attention in the media and political realms, and helping attract new partners to this work. The drought ultimately enabled the Foundation’s grantees to accelerate both policy reform and funder engagement.

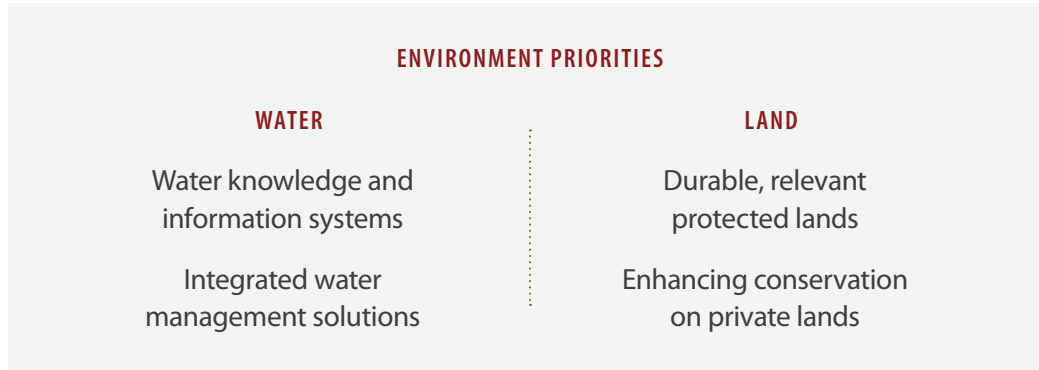


The Foundation also supported capacity building with a set of land conservation organizations. The conservation field was more established than the water field, and this presented opportunities to focus on pursuing specific programmatic outcomes as the spend-down years progressed. This included investment in California’s State Parks system, which was struggling with management and funding issues.

In 2011, the California Department of Parks and Recreation slated 70 State Parks for closure due to budget cuts and, the following year, the Department revealed it had shielded tens of millions of dollars in special funds. The resulting crisis of confidence in State Parks galvanized political support for Foundation efforts underway to advance park management.

### ***Spend-down priorities***

As California’s environmental challenges and needs came into focus, the Environment Program took form in two dimensions, water and land. Each in turn had primary foci.



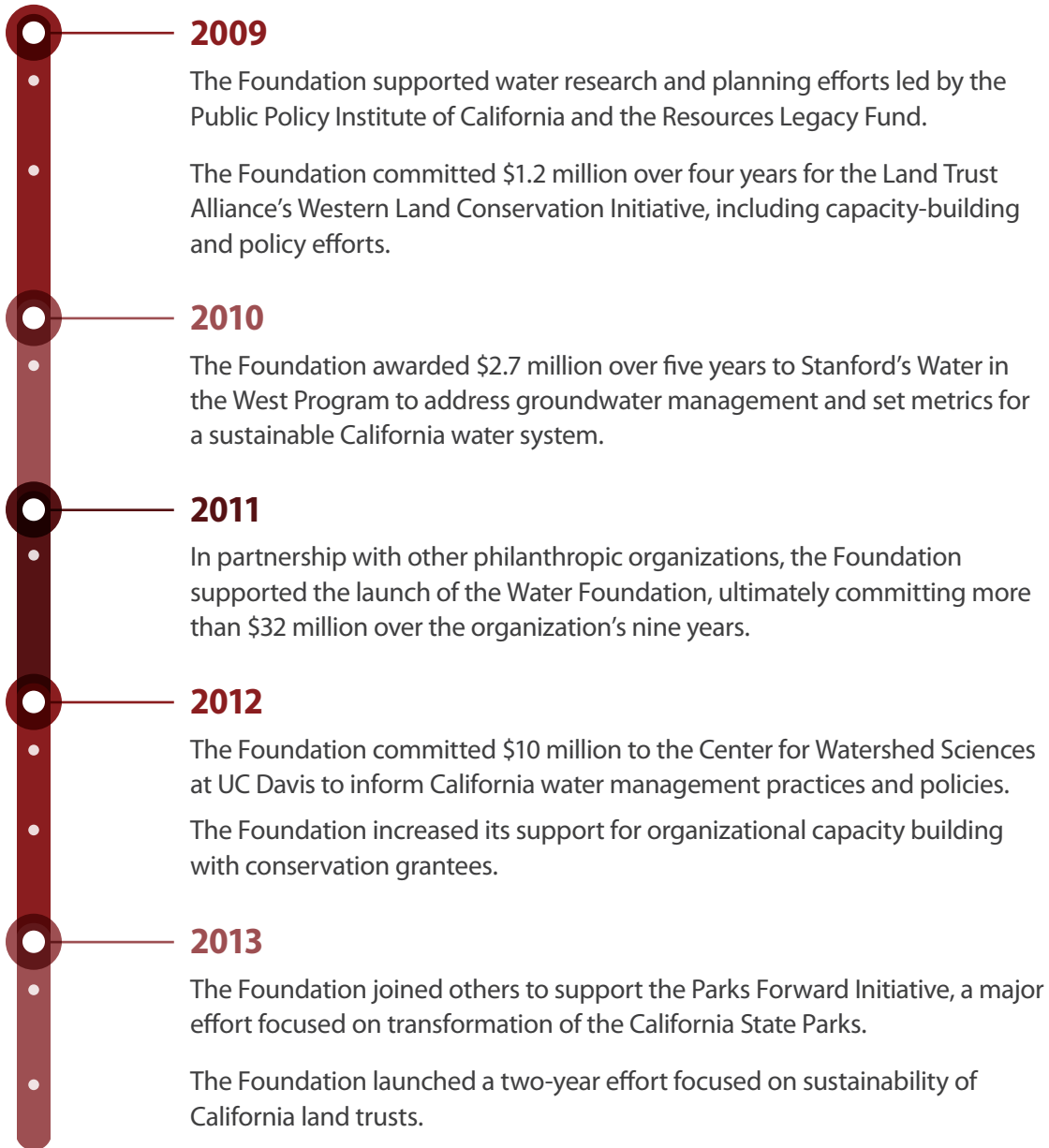
Foundation investments built on experience and knowledge emanating from support provided to the California Conservation Fund. The Fund was a charitable operating foundation established in 2000 by Mr. Bechtel to support waterfowl habitat in California through the acquisition, restoration, and management of wetland and upland areas. It helped inspire the launch of the Migratory Bird Conservation Partnership in 2008, ultimately leading to \$25 million in Foundation investment over 12 years. This initial focus on providing wetlands for migrating birds would inform strategies supporting innovative approaches to water and land use across the Foundation’s spend-down years.

The process of setting priorities and defining program approaches was dynamic. Allison Harvey Turner recalled a conversation in 2010 with Laurie Dachs regarding whether the Foundation should increase commitment to the land conservation arena: “I was making the case that we should pull back the emphasis on the land conservation side, but through further reflection we decided to add staff capacity and maintain our land conservation focus. That investment has paid off with exciting advances for parks and broader conservation efforts.”

Laurie recalled that, “It ended up being a much more tightly-focused approach than we might have taken. It’s not about buying up land or helping with easements. It’s really taking a systems approach. I felt that we were losing land so fast, that if there weren’t groups that were willing to stand up and fight for saving land, properly saving land, and saving the right land, we wouldn’t get a redo. It will be gone.”



Milestones in this era featured:

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- 2009**
    - The Foundation supported water research and planning efforts led by the Public Policy Institute of California and the Resources Legacy Fund.
    - The Foundation committed \$1.2 million over four years for the Land Trust Alliance’s Western Land Conservation Initiative, including capacity-building and policy efforts.
  - 2010**
    - The Foundation awarded \$2.7 million over five years to Stanford’s Water in the West Program to address groundwater management and set metrics for a sustainable California water system.
  - 2011**
    - In partnership with other philanthropic organizations, the Foundation supported the launch of the Water Foundation, ultimately committing more than \$32 million over the organization’s nine years.
  - 2012**
    - The Foundation committed \$10 million to the Center for Watershed Sciences at UC Davis to inform California water management practices and policies.
    - The Foundation increased its support for organizational capacity building with conservation grantees.
  - 2013**
    - The Foundation joined others to support the Parks Forward Initiative, a major effort focused on transformation of the California State Parks.
    - The Foundation launched a two-year effort focused on sustainability of California land trusts.

***Path not taken***

As the spend down got underway, the Foundation examined the possibility of funding in the energy field. “We considered going into energy around the same time we were building our water work, and we made a couple of grants in that space,” Allison recalled. “But we ultimately decided not to invest significantly. Energy didn’t naturally fit the Foundation’s California focus well. We were talking to organizations and grantees that were working nationally – and at that scale and scope the complexity of the issue relative to the size of dollars we could put into it didn’t seem like a good match.”



## YEARS IN THE MAKING: A RETROSPECTIVE VIEW

*In 2014, the Foundation began to describe its Environment Program this way:*

The Environment Program concentrates on the management, stewardship, and conservation of the state's natural resources by supporting organizations and partnerships that inform, demonstrate, implement, and advocate for improvements in water management and land.

*Following are excerpts from Allison Harvey Turner's 2014 letter to grantees, funders, and other partners, summarizing the Foundation's decision-making in the strategic refresh:*

The S. D. Bechtel, Jr. Foundation's Environment Program is inspired by Stephen Bechtel, Jr. and his love of California's outdoors. The Foundation's early conservation grantmaking focused on supporting sustainable populations of migratory waterfowl and providing outdoor recreation opportunities to California's communities. Looking back over the past 15 years, the Foundation's strategies have evolved as we have learned from our work, uncovered new challenges, and seen progress made.

One major effort that is currently coming to close had an outsized impact on the trajectory of the Foundation's Environment work. In 2002, the Foundation provided initial support for the California Conservation Fund, a charitable operating foundation established by Mr. Bechtel to support waterfowl habitat in California through the acquisition, restoration, and management of wetland and upland areas. The Foundation's partnership with the California Conservation Fund yielded insight into the underlying dynamics of wetland and open space management in California. The Foundation became acutely aware that the decline of California's wetlands is tied to water management, policies, and practices, and that the ongoing stewardship of land – even after it is protected – is a great challenge. The Environment Program is now focused on the systemic issues highlighted by the California Conservation Fund's efforts, and works toward a California that manages, stewards, and conserves its water and land to support a resilient environment and economy.

Although the Foundation's interest in water was sparked by its experience with wetlands conservation, our water strategies now recognize the opportunity to advance water management and better meet the needs of all that depend on California's water resources – be they migratory waterfowl, farmers, anadromous fish, or urban and rural communities. To do so, the Foundation invests in accelerating the creation and transfer of knowledge among researchers, policymakers, and practitioners; pursuing policies that promote integrated water management; and demonstrating solutions at a regional scale.

To support land conservation, the Foundation invests in advancing the durability and relevance of California's magnificent parks and open spaces, and in aligning incentives and removing barriers to effective land management practices on private and unprotected lands. Although the conservation approaches that the Foundation funds have shifted over the years from direct land protection and restoration activities to field building and policy work, our long-time focus on migratory bird conservation remains strong and has resulted in innovative new programs that have enhanced over 100,000 acres of habitat annually.

Given the juxtaposition of the long-term nature of the solutions we are advancing with the Foundation's spend-down timeline, the Foundation's Environment Program emphasizes capacity building across its various lines of work. In doing so, we take a broad view of capacity, working to reduce dependency on the Foundation while enhancing grantee resiliency as we work with partners to pursue ambitious goals.

## Getting real: Considerations, conversations, and commitments

### Communicating with grantees

The Foundation sent letters to all grantees in 2010, announcing the spend-down decision, and conveying that the Foundation relationship would change with many in the near-term – and with *all* by 2016. For Allison Harvey Turner, thinking about “how to communicate it, and how folks will respond to it, provided a little taste of what the spend down will be like.” She added that, “Even before the letters, we had early, quiet conversations with some of our key grantees, and their reactions foreshadowed the emotional side of the spend down. I remember realizing, ‘Yes, this is exciting, but it is also going to feel sad.’”

Susan Harvey shared that sentiment, recalling grantees who stated, “We’re sorry you are not going to be around.”

Staff leaders also communicated the flipside of the spend-down decision, which was the ability to do much more intensive work over a discrete period of years with key grantees. “We wouldn’t be able to do what we are doing with you now if we were to remain a perpetual philanthropy,” is a message Susan recalled conveying frequently.

Allison felt that the Foundation’s approach to concluding relationships was likely helpful to grantees as well as staff: “I do think having resources and being willing, for example, to make quite generous final grants allowed us to minimize the disruption to grantees and their work as we exited those relationships. Those decisions would have been a lot harder to make if we hadn’t had that flexibility.”

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*Communicating the spend-down decision to grantees allowed the Foundation to set expectations, and to exit grantmaking responsibly – while maintaining positive relationships with grantees.*

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### Where should the Foundation be?

From the Foundation’s genesis in 1957 to the mid-2000s, its grantmaking was largely associated with the San Francisco Bay Area. Grantmaking in the second half of the 2000s was taking place in a somewhat broader geographic frame, and the spend-down decision in 2009 pointed the Foundation toward increased statewide funding.

As staff thought more about working across California, including expanding its Southern California set of grantees, the Foundation considered opening a Los Angeles office. A memo was developed describing the potential advantages and challenges of a second office location, and this possibility received serious consideration.

Ultimately, the decision was made to maintain a single Foundation office in San Francisco. While cost was a factor, Foundation leaders also placed weight on other considerations. Conversation with the leader of a philanthropy operating in multiple locations surfaced the need to have a sizable staff to establish a meaningful presence in any chosen locale, and surfaced challenges associated with maintaining a cohesive organizational culture across multiple offices.

This second point especially resonated with Foundation staff, who had just co-located following years of being housed on separate floors. Being together was viewed very positively by all, and the idea of separating staff across cities was dismissed.

## The decision to extend to 2020

When the spend-down model was adopted in 2009, the Foundation defined a seven-year horizon and a 2016 sunset. As staff began the work of setting goals and strategies for this period, including planning to spend significantly larger dollars, the timeline was extended to 2020.

*The program areas and issues we were trying to tackle were highly complex and would require more time if we wanted to catalyze lasting change. Once we started down the track and realized what had to be done – building the staff, refreshing our strategies, focusing sharply on where there were windows of opportunity in our timeframe, and creating a learning agenda, to name a few things – we realized it was going to take longer than we thought.*

– LAURIE DACHS

Conversation and energy for a new end date bubbled up at a 2010 holiday dinner hosted by the Boy Scouts. Several Foundation staff and board members attended that late-year event, including Pat Leicher, the Foundation's chief financial officer, who served throughout the majority of the spend-down years and was instrumental in managing the inflow of new funds from Mr. Bechtel. Pat recalled wondering about the rapidly increasing dollars available for grantmaking, and about the size of the program team's ambitions. That night, she asked Susan Harvey, "Well, what do you think about the 2016 date? Are we going to be able to do all this work by then?" Susan recalled replying, "Well, for the Education work, that's not enough time. It takes a long time to influence educational systems, and so I would appreciate having more time."

That same night, Susan sought out Allison Harvey Turner; they compared notes on the challenges of the 2016 end date and thought about the possibilities that a ten-year horizon might provide.

The conversation quickly included Laurie, who along with Pat was especially aware of the new volume of funds coming into the Foundation from Mr. Bechtel. Grantmaking assets were increasing year after year, and Laurie recalled, "We all had discussion about, 'Can we effectively invest whatever we have, and whatever else may come in, in the amount of time that we have?'"

Susan further unpacked the Education Program staff's thinking from that time: "Number one, there was a lot of money. Number two, systems take some time to shift. Change management is hard. And if we wanted to learn something from what we were funding and share it with the field, we had to be in there for more than a few years."

Laurie brought this conversation to the board, and the decision to extend the spend-down timeframe took place at the first board meeting in 2011. Allison reflected that the idea required some getting used to for the board. Similarly, Pat remembered that, "It had the unanimous support of the staff but an initial mixed response from the board." Board members wondered whether the Foundation might find a way to get results sooner, without an extension. Ultimately, all recognized that more time was needed to influence complex systems and build resiliency in the field to continue vital work once the Foundation closed its doors.

## Ever-expanding grantmaking resources

Through gifts to the Foundation and to the Stephen Bechtel Fund, a pass-through foundation established in 2007 to help manage the fluidity of incoming funds, Mr. Bechtel contributed significant new dollars in each of the early spend-down years.

### NEW CONTRIBUTIONS

**\$49 MILLION**  
2009

**\$76 MILLION**  
2010

**\$116 MILLION**  
2011

**\$103 MILLION**  
2012

**\$145 MILLION**  
2013

Foundation CFO Pat Leicher reflected, “The thing that I think is most distinctive about our spend down, from a financial point of view, is that we decided to spend down and we really had no idea how big the spend down would be, because Mr. Bechtel was continuing to contribute monies every year.”

Pat worked closely with Laurie and Mr. Bechtel’s financial team to forecast when and how much money was likely to be donated, continually updating a schedule of expected tranches. “For the first several years after the spend down was announced I would get new numbers at least twice a year, sometimes more,” Pat said. “And the updated numbers were almost always higher.”

Buoyed by the earnings of the Bechtel Corporation, and by Mr. Bechtel’s actions to move an increasingly large portion of his estate into philanthropy, Foundation assets grew each year. Overall, the Foundation’s endowment rose from \$229 million in 2009 to \$421 million in 2013.

This growth took place even as grantmaking numbers increased from \$42 million to \$109 million annually in this same timeframe. While expanded resources meant expanded program opportunity, staff could not definitively count on the projected volume of new dollars coming in from tranche to tranche. As described above, the forecasts were updated regularly, and Pat recalled one year where the projection was reduced.

### SUSTAINING GRANTMAKING AMIDST ECONOMIC UPHEAVAL

The Foundation’s endowment was significantly impacted by the Great Recession, which spanned December 2007 to June 2009. Pat Leicher, chief financial officer in that era, recalled that the Foundation’s financial investment portfolio declined by 42% during this period. Laurie Dachs, in a letter to the board prior to its first meeting of 2009, noted the significant loss of assets in 2008 as comparable to the sharp declines experienced by other philanthropies nationally.

Laurie’s letter went on to say, “We are very fortunate that, with the intent of spending down, any decisions to change our funding can be driven by strategic decisions about outcomes and grant allocation, and not grant reduction based on a smaller endowment.”

Total Foundation assets and giving grew during the Great Recession based on the influx of new dollars from Mr. Bechtel. His financial contributions enabled the organization to stay focused on its spend-down goals, and to continue to make grant investments commensurate with those goals.

The Foundation's unique financial dynamic – no guarantee that anticipated new dollars would arrive, yet a reality that these dollars almost always did arrive, typically in larger numbers than initially projected – resulted in what Allison, Susan, and Laurie described as an “accordion” strategy. Pat explained it this way: “The program people had to continue thinking about big ideas, new initiatives. If there was some more money, or a *whole lot* more money, what might they be able to do with it? But they had to think about it with no commitments from us that they were going to get that amount.”

“The budget ups and downs were a big part of the story,” Allison affirmed. Susan added, “Laurie would say to us, ‘Keep thinking flexibly. Flexibility is important. If you get more money, how would you use it well?’ And that actually played into the way we started developing strategies, figuring out, what could we contract if we needed to? And what could we expand if we were able?”

This circumstance further reinforced staff's thinking that the Foundation needed to work deeply in relatively few places, places where it could maintain awareness of changes in context – and adapt its program strategies based on these changes in tandem with the widening or narrowing of the Foundation's funding stream.

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*I remember my drive down I-5 when I was in college, when the fields were all cotton. If you drive now it's all grapevines and trees. That shift was a big success story in water management because you're getting so much more value out of the water that you're putting into those new crops today. They're more efficient in terms of economic development per drop of water. But then the drought hit and those trees can't just be fallowed. They're a huge investment, and you need to give them water every year. So while the Valley got more efficient in its crop practices, it hardened the demand for water. I felt like this was an analogy for the Foundation's work. We needed to be doing things where you could turn the spigots on and off. We'd grown a lot of trees. We had these big capacity investments in organizations that were super dependent on us. They couldn't absorb a whole lot more and they also couldn't be cut off. So we needed more cotton in the portfolio. We started looking for things that could quickly absorb money if we had it, and so, for example, we started thinking about funding community foundations, passing funds through them to work at a more local level than we had the bandwidth for on our own.*

– ALLISON HARVEY TURNER

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Laurie recalled that this was the time the Foundation began its significant work with intermediaries. By providing regrants and support services, these entities expanded the Foundation's ability to do effective, large-scale grantmaking. In many cases, investing in intermediaries also helped strengthen these organizations as important, sustainable contributors to their respective fields.

## Keeping promises

Staff and board also placed ultimate priority on making sure the Foundation never failed to meet an obligation to a grantee. Pat Leicher recalled re-forecasting committed outflows and planned inflows of dollars frequently, reporting to the Finance and Investment Committee regularly, and working with the Foundation’s external investment managers closely to ensure that short-term liquidity and longer-term growth strategies were always balanced in light of scheduled grant payments.

In this way, the variability in the Foundation’s grantmaking economics never translated into financial volatility or vulnerability for grantees.

“We never committed the money to a grantee until we knew it was solid,” said Susan.

Allison added that the impact of this process was greater internally than externally, “I think we were able to adjust. It didn’t do any big damage to the strategies of the programs. I think it had a yo-yo effect on staff more than anything.”

## A bigger staff, and a changing culture

The decision to spend down ushered in a new era for Foundation human resources. Leaving direct service grantmaking in order to pursue systemic change and field building, while more than doubling the volume of grant dollars, carried implications for the number and type of personnel needed to staff the Foundation’s agenda.

An enterprise of seven people in 2008 mushroomed to 24 in 2013. “As we brought all these new people into the Foundation to help us execute the work we wanted to do, we had to grow and further define our culture,” recalled Laurie Dachs. “We had to become a different organization.”

A relatively flat operation, with virtually all positions reporting directly to Laurie as Foundation president, gave way to a new structure, including a senior management team and formalized policies. The Foundation needed to recruit staff who could “hit the ground running,” and who would “help implement, rather than develop, strategies,” as Laurie stated. “For our team there is a strong emphasis on project management and grant monitoring, as well as the due diligence and grantmaking that is common at perpetual foundations.”

As the Foundation explored and identified priorities, and realigned its programs through the strategic refresh, staff members already in place faced the challenges of transition. “While we were in the strategy refresh, we weren’t doing a lot of grantmaking, because we didn’t know the ultimate program direction,” recalled Susan. “And that was frustrating to staff, I think. We were getting a lot of inquiries from grantees about what was going on. Then we had to ask our people to change the kind of work they did. Because, for example, [prior to 2009] in the Education Program we were hiring people who were out-of-school specialists. And all of a sudden we weren’t funding the science institutions they worked with any longer. And so people had to change what they were doing.”

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*The shift away from direct service grantmaking brought with it significant implications for Foundation staff and culture, which began to realign around new programmatic realities.*

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Susan continued, “We had to say, ‘This is the way the work is going to shift,’ and some people were good with that, and some people weren’t. So that meant that we had some staff turnover during that time because this was maybe not what people thought they were going to be doing.”

The move away from direct service grantmaking was important for all staff to embrace. Allison recalled, “I think that was the most common conversation in interviews, trying to be as clear as possible with candidates that you’re not going to be out pulling weeds; you’re not going to be out doing restoration. If you really want to see the direct impact of your work, this may not be the right fit. The flipside is you get to see the whole field and how it fits together, and examine its leverage points and think about systems.”

This tradeoff was echoed by Susan. “You could go to Larkin Street, you could go to some local Y, and you could really touch and feel the kids that were helped,” she said. “And moving away from that was part of what was really painful for some of the staff. Because if you start working at a policy level or you start talking about working through the California State University system, it’s bigger, it’s more complicated, and you don’t get that in-your-heart feeling that, ‘I’ve made a difference.’ It’s much more abstract, but it’s a deeper, more significant impact that you can have.”

Laurie reflected, “Our strategy started to appropriately drive who we needed working on what.” As for the underlying approach to Foundation staffing, she stated, “I always had a general philosophy: hire attitude and aptitude. And I did not want to create a board or staff of experts in issue areas, which a lot of foundations have done. We wanted to honor the expertise of those in the field, the practitioners who for the most part knew what was needed.”

Laurie recalled that the highly complex grant and system change work, as well as the challenges of organizational development accompanying the fast-paced learning, were the drivers in hiring Barbara Kibbe and establishing an Organizational Effectiveness (OE) function.

### ***Expanding internal capacity***

The OE staff was assembled by Barbara beginning in 2013. One of their first tasks was to support and collaborate with program officers as they worked through the Foundation’s strategic refresh – helping with literature reviews, interviewing practitioners or thought leaders in a given field, reviewing existing lines of work, assessing the nature and timeliness of opportunities to make lasting change by 2020, and refining the process for conducting due diligence on potential grantees and proposals. OE also took a lead role in designing and managing many final grants as funding relationships concluded with organizations not involved in the Foundation’s remaining lines of activity.



“The Education and Environment groups were preparing to make big bets,” recalled Barbara. “Since they were working with a clock, they knew they wouldn’t get much opportunity for do-overs. The stakes were high, as were the workloads, and the program officers were all committed to getting it right. OE was trying to do whatever we could to help them succeed. We thought of ourselves as the ‘utility infielders’ on the Foundation team.”

Evaluation was a central ingredient in the strategic refresh. Laurie stated, “I think that building evidence and always thinking about best practice is something that has been a through piece for all of our work.” In many cases, OE staff partnered with program staff to set scopes and engage evaluators. These efforts included exploring desired program outcomes and key learning questions that could inform improvements, as well as considering what knowledge the Foundation sought to share with the field.

This latter consideration connected to a nascent appreciation for communications as a worthwhile tool of impact for the Foundation in its sunset years. Historically quiet and content to be behind the scenes while shining a spotlight on grantees, in 2013 the Foundation began to wrestle with the questions of whether this posture would limit its influence for change and temper its spend-down aspirations.

There was interest in balancing an elevated investment in external communications with a desire to maintain a modest public profile. There was also a growing awareness that if the Foundation did not tell its own story, others might tell it instead. Internal dialogue regarding the role and importance of communications would translate into new and expanded approaches beginning in 2014.



## **2013: The pivot year**

By the end of 2013, the Foundation's course to conclusion was set. Four years removed from the decision to spend down all assets, and with a seven-year runway ahead, the organization and its investments were aligned in pursuit of ambitious goals. Three connected elements in particular characterized 2013 as the time when the Foundation fully adopted its spend-down identity: completing a refresh of program strategies, making consequent shifts in Education and Environment grantmaking to initiate those strategies, and adding internal staff and capacities to pursue systemic, sustainable change.

### **Strategic refresh**

In 2013, the Foundation made the important decision to focus on model building, organization and field building, and policy and advocacy work statewide, winding down support of local direct service programs in education, youth development, and environmental education. Through an intensive strategy process, facilitated by its Organizational Effectiveness group over several months, the Foundation achieved significant clarity and focus, moving from more than 20 lines of work to eight portfolios, each with specific outcomes defined.

In selecting these priorities, staff began with the founder's interests and values as the North Star, drew on relevant experience and learning with grantees, and studied the horizon to detect opening windows of opportunity. The Foundation sought situations where the conditions were ripe for significant philanthropic involvement – where key leaders and partners were at the ready, and forces in the landscape were marshaling in ways that offered the potential for targeted investments to create meaningful change within a limited timeframe.

### **Program shifts**

The Foundation's major program areas began multi-year commitments in 2013 with an expectation that these efforts would define the organization in its spend-down years.

The Education Program focused on equipping adults with the knowledge and skills needed to teach and mentor young people effectively. The National Character Initiative was created with youth-serving organizations hungry to improve and sustain evidence-based character development practice at scale. The STEM education initiatives aimed to prepare current and future educators for instruction aligned with the Common Core State Standards in Mathematics as well as Next Generation Science Standards.

The Environment Program invested in efforts to manage, steward, and conserve California's water and land resources in ways that would meet the needs of people and nature. Staff joined with grantees and other partners to increase the depth and use of water knowledge and information systems, demonstrate effective approaches to integrated water management, advance the durability and relevance of protected lands, and increase conservation of private and unprotected lands.

Both programs pursued strong relationships with grantee organizations that were well positioned to serve as levers for systems change. These efforts were anchored in a commitment to nurture effective organizations and fields that would be able to carry on their work after the Foundation closes its doors. In tandem with this commitment, the Foundation increased its efforts to capture knowledge in all program areas through substantial investments in evaluation, intending to ensure that practitioners and policymakers would benefit from its learning.



*Common Core State Standards for Mathematics were adopted in 2010, with Next Generation Science Standards adopted in 2013. These were big shifts in the California education landscape, and we wondered, ‘How can we help and do no harm?’ From the start, our STEM strategy sought to support a vision for change that public schools wanted and could sustain.*

– ARRON JIRON, ASSOCIATE PROGRAM DIRECTOR, EDUCATION



*We decided to focus on public school districts, because that is where the majority of the students are. By working in several of these districts, and helping them succeed with instructing to the new standards, our hope was that we could help other districts see a counterpart and say, ‘if they could implement new math and science standards, then we can too.’*

– LISA LOMENZO, SENIOR PROGRAM OFFICER, EDUCATION



*Our goal was to try to achieve systemic impact during the spend down. In 2013, the question was, ‘How do we figure out what to do, given the limited time period but significant investment potential?’*

– GARY KNOBLOCK, SENIOR PROGRAM OFFICER, ENVIRONMENT



*We convened the Foundation’s water and land grantees together for the first time. It was a way to talk about the spend down with all these grantees at once, and hear from our partners about how we could best support their work for the next seven years and position them for continued success beyond 2020.*

– MARSELLE ALEXANDER-OZINKAS, SENIOR PROGRAM OFFICER, ENVIRONMENT

## Expanded staff and capacities

To activate new strategies and support a now expansive body of work, the Foundation's internal staff more than doubled in size between 2009 and 2013, reaching 24 members. The Foundation structure and culture evolved to fit this burgeoning staff and its needs.

New positions were filled with people who brought knowledge relevant to program priorities, along with skills and experiences that enabled productive relationships with grantees, partners, and policymakers. Existing staff also shifted their roles and responsibilities to align with spend-down directions.

An Organizational Effectiveness function was created in 2013 to serve as an added resource in the spend-down years. This new team helped guide the strategic refresh process, deepened the Foundation's evaluation acumen, and off-loaded tasks that allowed program staff to focus on launching spend-down strategies.

The S. D. Bechtel, Jr. Foundation finished 2013 with a finite set of strategies and goals defined in the context of timely opportunities in the fields where it worked, an expanded and energized staff, and a sense that the wind was at its back as it moved to affect lasting and large-scale change before conclusion in 2020.



## ABOUT THIS SERIES

# Sooner Rather Than Later: The S. D. Bechtel, Jr. Foundation Spend-down Journey

In 2009, following five decades of Foundation growth and impact, the Board of Directors for this family philanthropy chose to spend down all assets. In the words of its founder, this decision reflected a commitment to finding lasting solutions to California’s critical challenges “sooner rather than later.” The spend-down horizon was initially set for eight years and then adjusted to establish 2020 as the Foundation’s end date. The Foundation is documenting its journey to inform the interests and practices of other philanthropies that are considering or conducting a spend down.

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### PROLOGUE | GROWING A FAMILY PHILANTHROPY: 1957 TO 2008

An overview of the Foundation and its program activities prior to the spend-down decision, including the factors and process leading to that decision.

### CHAPTER 1 | SETTING THE COURSE: 2009 TO 2013

A chronicle of the activation of spend-down practices, including the “strategic refresh” that would guide Foundation program investments through its conclusion.

### CHAPTER 2 | WORKING WITH THE END IN MIND: 2014 TO 2017

A description of the ramp up and adaption of the Foundation’s major program investments and initiatives during its spend-down years.

### CHAPTER 3 | REACHING CONCLUSION: 2018 TO 2020

A narrative of the decisions and approaches to securing gains from Foundation programs and amplifying impact in the Foundation’s final years.

Access the series, and other resources about spend downs and exits, at [sdbjrfoundation.org](http://sdbjrfoundation.org).

## A VISION FOR CALIFORNIA

The S. D. Bechtel, Jr. Foundation envisions a productive, vibrant, and sustainable California that is a model of success and a source of innovation.

## A COMMITMENT TO NOW

California faces many critical challenges, which require resources and imaginative solutions.

In response to this reality, the Board of Directors decided to invest all the Foundation's assets by 2020. This decision reflects a commitment to identifying lasting solutions for education and the environment sooner, rather than later. The Foundation also invests in building the capacity and resiliency of grantee organizations to leave them positioned to carry on the work of furthering a successful California for decades to come.

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Recommended citation:

S. D. Bechtel, Jr. Foundation (2019), *Sooner Rather Than Later, Chapter 1: 2009 to 2013*  
[doi.org/10.15868/socialsector.37220](https://doi.org/10.15868/socialsector.37220)

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