



# Spending down

## Laurie Dachs answers questions for family philanthropies

*In October 2020, Nick Tedesco, president and CEO of the National Center for Family Philanthropy (NCFP), talked with Lauren B. (Laurie) Dachs, president and vice chair of the board at the S. D. Bechtel, Jr. Foundation, about spending down all assets. The Foundation was founded in 1957; in 2009 it became a limited-life philanthropy and completed its spend down at the end of 2020. Nick's questions and Laurie's responses are captured here for reference by other grantmakers that are implementing or considering spending down.*

NICK TEDESCO

### How did the interests and values of your father, the founder of the S. D. Bechtel, Jr. Foundation, guide the Foundation?

LAURIE DACHS

My dad fundamentally recognized that he had an opportunity and a responsibility to give back, to share some of the good fortune that came from his hard work. He was always very focused on California and particularly on opportunities for young people. Engineering was his life's blood. Scientists think up all these great ideas and engineers make them real. So, in addition to some local charities, he initially focused his giving on science and engineering. He funded scholarships and helped found the National Society for Black Engineers and the Society for Women Engineers. Over time, he made bigger and bigger commitments to education and the environment. In the spend-down years we focused on STEM education, character development, and environmental issues, especially water management and land stewardship in California.

The Foundation's values echo my father's values and his approach to life and work: integrity, excellence, optimism, and respect. My dad was frugal and humble. My parents never lived a lavish lifestyle and that played out in the way we ran the Foundation. We have been tenants in an office building and we keep overhead and administrative expenses low. We don't support a lot of business lunches or off-site meetings. We want to make sure as much of the money as possible goes to the work and the good organizations doing it. That said, we pay our staff well and invest in their development. There is no substitute for talented people doing quality work and impactful grantmaking.

We didn't look to put the family name on things. We intentionally stood behind grantees and partners, keeping the spotlight on their work. For most of our history we sought a low profile. It wasn't until our final years that we pursued greater leverage through external communications.

## S. D. BECHTEL, JR. FOUNDATION VALUES

**Integrity.** The Foundation is committed to thoughtful and prudent stewardship of relationships and resources. Staff and the Board of Directors work together to inspire the trust of our grantees, partners, and each other through a combination of honesty, open mindedness, and accountability in pursuit of our goals.

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**Excellence.** The Foundation pursues excellence in all aspects of its programs and operations, adhering to the highest standards of professionalism. It maintains a central focus on a limited number of systems-change initiatives with well-defined goals and specific outcomes aimed at building knowledge, advancing solutions, and strengthening fields. The Foundation funds independent research and evaluation and is committed to sharing the results. Experienced staff engage in reflection and continuous learning to inform their work and serve the field.

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**Optimism.** Philanthropy is nothing if it is not about the future and faith in our collective ability to see and solve problems. Throughout the spend-down years (2009 through 2020), the core work of the Foundation is systems-change. We strive to be realistic, and expect challenges and setbacks along the way. We are making large, multi-year investments to address complex issues, ranging from water and land management in an era of extremes to reimagining how teachers are prepared for the classrooms of the 21<sup>st</sup> century, and preparing the next generation to lead with good character and commitment to community and society.

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**Respect.** We value empathy, diversity, and collegiality and commit to authentic, constructive dialogue and collaboration within the Foundation and with our grantees and partners. We strive to respect and earn the respect of our grantees, other partners, and our colleagues.

NICK

### What was the process that your foundation went through to make the decision to spend down? What drove the decision?

LAURIE

Our Board of Directors held multiple conversations across a year, 2008, sparked by my dad as founder and board chair. At that time, our small staff was making a growing number of modest-size grants. Program leaders weighed in with their perspective on our potential for greater impact as well.

The board's decision ultimately rested on two factors: One was the belief that timely, large-scale action was needed to create solutions for education and the environment in California. The state faced critical challenges and, if we wanted to make a difference in these key program areas, we realized that we couldn't be playing on the periphery. We needed to jump in big, both with staff bandwidth and dollars.

Discussions by the board, which included Bechtel family members, often involved a philosophical question: How well could the founder, or anyone, predict the future? My dad believed that it made more sense to focus Foundation dollars on near-term philanthropic needs, and to let future generations address the needs of their times.

Two additional circumstances set context for this decision. Internally, it was not clear who would lead the Foundation following my retirement. Discussions had taken place involving many members of our extended family, but no clear path to third-generation leadership of the Foundation had yet emerged. Externally, consideration of the spend-down model was taking place at a time of economic tumult. The Great Recession began in December 2007, and the economy contracted severely in 2008. We really felt the limitations inherent in a perpetual endowment with a 5% annual spending policy at a time of such sharp increase in social needs and big cuts in private giving to nonprofits.

## HOW THE FOUNDATION BOARD OF DIRECTORS DELIBERATED THE SPEND-DOWN DECISION

Excerpted from *Sooner Rather Than Later, Prologue to the Foundation's spend-down journey*

Over the course of three meetings in 2008, the Foundation Board of Directors began actively considering the spend-down model and debated several important questions:

- Over time, would the Foundation become increasingly more likely to drift from its original purpose, particularly after Mr. Bechtel stepped away from the organization?
- If the Foundation were to live in perpetuity, would it stay relevant to future generations?
- Could significant investments in the near term deliver greater impact than smaller investments spread over a longer-time horizon?
- Were the Foundation to spend down, how would its grantmaking strategy need to evolve?

In considering these questions, board members expressed optimism that the Foundation could continue being impactful even after Mr. Bechtel stepped away, but they were concerned that a family foundation operating in perpetuity could at some point depart from the founder's ideas. Board members also suspected that the Foundation could have greater impact with its grantmaking if it opted to give more than the mandated annual 5% of its endowment. At the same time, they acknowledged that in order to significantly increase grantmaking and spend down, the Foundation would need to identify projects capable of putting major grant dollars to work.

In a letter to board members, Mr. Bechtel articulated his commitment to address a few big issues and stated his concern about whether future Foundation leaders would stay true to his intent. That letter helped bring clarity to the board's discussions. It stated in part:

*Each of my children and grandchildren has their own charitable foundation from which they each can select charitable needs as they see fit . . . I prefer that they each use their own foundations to support causes they think are most important, rather than being saddled with trying to manage my foundation.*

*Non-family administrators in the longer-term future are much less likely to be able to interpret and convert my interests into long-term future goals and interests responsive to the needs of their time.*

*In the near term it is difficult, if not impossible, for the leadership of the S. D. Bechtel, Jr. Foundation to determine the highest priority charitable needs out in the long-term future.*

*I believe it is more important for the Foundation to focus on the contributions that we see as the highest priority near-term charitable needs, and let future generations of charitable contributors determine, in the future, the greatest needs of their time.*

At the board's final 2008 meeting in November, Mr. Bechtel said that he was leaning toward spending down the Foundation's assets. Mr. Bechtel emphasized his preference for focusing the Foundation's grantmaking as opposed to awarding small grants for small causes, though he noted that there would be occasional exceptions for local causes of personal interest and concern.

*The Foundation moved to spend down all assets at its first Board of Directors' meeting in 2009.*

NICK

## Where did you turn for guidance or examples to approach the spend down?

LAURIE

We looked for a blueprint and found little in the way of example and published practice.

The work by NCFP and others is changing this reality for limited-life organizations, and that is good news. We are seeing spend-down foundations, including ours, sharing their stories and lessons, and researchers are surfacing new knowledge for this field.

But going back only seven years ago, there just wasn't much to learn from. We did a literature review and read what we could find. We also drew up a list and talked with "critical friends" including colleague funders, grantees, consultants, and other experts. The director of our Effectiveness Program, Barbara Kibbe, consulted with this informal group of 22 external advisors. They were asked how the Foundation could spend down responsibly, do no harm to grantees and fields, and make a real difference with the opportunity ahead.

We took what they told us to heart in many ways—including following their wisdom to commit to building capacity at the organizational and field levels, nurture partnerships that could endure beyond 2020, be intentional about connecting networks of grantees we worked with, and get ahead in thinking about how we would navigate the out years of our spend down. This group also really encouraged us to tell the Foundation's story.

NICK

## How does your organization grapple with the fact that your work may be unfinished when you close your doors?

LAURIE

We never thought we would fully solve any of the complex problems my dad wanted us to take on. Education will never be solved per se. Nor will issues around water management, or land stewardship. There will always be work to do. We set things to strive for, benchmarks. And it was our fervent hope that we would, as one of our board members described it, "push the rock up to a flatter place"—making progress and putting others in position to go to higher levels with the work. As we became more and more focused, we needed to shift our thinking and our analysis. It's more than a little different to be operating a defined set of multi-year, multimillion-dollar initiatives after decades that featured grant awards of \$25,000 to \$50,000 made to an ever-growing number of nonprofits spread across many issue areas.

It was challenging to me personally and to all our staff. We made generous and flexible final grants to many local direct-service organizations so that we could focus our team and our limited time on making investments in systems change. Then we went deep, funding programs, capacity building for organizations, and leadership development for the fields we worked in. We also supported rigorous evaluation, especially in our Education Program, and came to the realization that sharing our journey and lessons learned would be part of our enduring impact.

## SPEND-DOWN PROGRAM AREAS FOR THE S. D. BECHTEL, JR. FOUNDATION

*Excerpted from the Foundation website*

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](#).

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](#) stewardship.

Both programs work to strengthen the link between policy and practice, which is critical to achieving the Foundation's vision for a productive, vibrant, and sustainable California.

The [Effectiveness Team](#) supports grantmaking in both programs, with a special emphasis on evaluation and learning as well as strengthening the capacity of grantees. This team also supports the president's office in managing [special grant funds](#)—program investments outside of education and environment. In addition, the Effectiveness team works to advance knowledge in the field of philanthropy, especially on exits and spend downs, and to communicate lessons learned from the Foundation's experience.

NICK

### **Is there a core characteristic that you see as especially important to how the S. D. Bechtel, Jr. Foundation went about its spend down?**

LAURIE

Tolerance for risk is in the Bechtel DNA. My father is bold and fearless. He has often taken on seemingly impossible tasks and figured out solutions along the way. I'm fond of the Will Rogers quote, "You've got to go out on a limb sometimes because that's where the fruit is."

In addition to tolerance for risk and ambiguity, I think it helps to be curious and reflective. That way you can hope to get better along the way.

NICK

### **In your close-out years, you had to make decisions about directing final dollars. What informed these decisions?**

LAURIE

We continued to be guided by our core values, and we stayed the course with all major investments through conclusion. In addition to sustaining commitments, in our later years we increased grantmaking related to equity and were able to support a number of our grantees as they acted to bring diversity, equity, and inclusion into the center of their programs and operations.

We think of grants made in our final year as "culminating grants" to bolster partner organizations and conclude the strategic initiatives we had most deeply funded over many years. Of course, we did not anticipate a pandemic being part of our end year—it created so much disruption and we set aside some modest funds for COVID-19 recovery. These were mostly planning grants to help grantees think about their response to the crisis and to envision what their organizations may look like coming out the other side.

As we move into our last quarter, we are making a limited number of flexible, general-support grants. These final grants are going to anchor grantees—organizations with leaders and track records that we know well.

NICK

## How has your foundation thought about and practiced communications during the spend down?

LAURIE

We came late to the realization that communication is a part of impact. For decades, the Foundation operated quietly, not looking for accolades and often making anonymous gifts. In the spend-down years, the stakes were high and we were trying to achieve durable systems change. We learned that documenting and sharing what we learn, and helping grantees be more effective with their own communications, are ways to enhance the Foundation's impact.

We also came to really embrace the belief that we have a responsibility to the field to leave behind knowledge of what we did and what we learned, not only in our core program areas, but as a spend-down foundation.

This commitment evolved as we built a number of studies and products during the spend down. It became more clear that we needed a professional team to support us in thinking about what we had to share and how we should share it. In 2014, more than five years before we concluded, we brought in an outside agency that became a key partner. That firm essentially acted as our internal communications department throughout the spend down.

NICK

## As you look across the sweep of the spend down, what are your key learnings?

LAURIE

We learned that there will be an arc to the work—that we needed to use different approaches for different stages of the spend-down journey. We also learned about the critical importance of talented staff. We needed to invest in developing them to do the kind of systems change work we prioritized in the spend down, and to care for them and encourage them to stay until our work is done.

We learned about the importance of fiscal flexibility to allow us to be both strategic and opportunistic as things changed in the fields where we invested.

We also learned that partnering is hard. It is really important, and it is worth it, but it is hard. Working well with other funders means respecting their culture and decision-making. There's a dynamic tension in this. We needed to be patient in building strong relationships with other funders, and we sincerely hoped that our grantees would be able to replace our funding when we're gone. We also needed to move quickly to seize opportunities. We've had a few funder partnerships that we thought were promising but broke down. Because time was short, we tried to get better at recognizing potential partners.

NICK

## Does hindsight point to things you would have done differently?

LAURIE

For me, four items stand out. One is that in 2009, when the decision to spend down was made, we originally set 2016 as our sunset date. As we got started, it became apparent that 2016 was too soon. We were refocusing on field building and on systems change—and finding out there would be more significant contributions coming in from my dad. We didn't know how much money or when the flow would stop and we also realized we needed more time given what we were trying to do. We needed to build new partnerships and provide our grantees with time to do their work, including strengthening their capacity. Extending our sunset to 2020 gave us and our grantees a longer runway, and I wish we had given ourselves the benefit of these additional years from the outset.

Another thing I now know is that we gave too much time to examining how the Foundation could use theories of change to anchor our program strategies. That exercise didn't yield the clarity we needed. We ended up not building our work around the theory of change structure.

A third item has to do with getting clearer quicker. We were spreading money thinly in the first years of the spend down and should have been working more deeply with fewer grantees. That focus came a few years into the process.

Finally, if we had it to do over, I would bring someone in with professional human resources experience earlier. We needed to scale up to spend down. We learned that adding staff adds complexity, and challenges an organization's culture.

NICK

## What is your foundation's biggest legacy? What achievements are you most proud of?

LAURIE

I am somewhat allergic to the word "legacy"—but there are things I'm proud of.

First is the way we did our work—listening to the field, learning what is most needed, and resourcing the priorities of high-performing grantees while supporting their leadership and capacity-building efforts.

Second is that we held steady in our support for environment and education. Our strategies evolved as we learned and as the needs of our grantees shifted.

As a result of these things, I feel we are leaving behind strong organizations and important partnerships that will be able to carry the work forward without us, even in these challenging times.

We've also had important program successes. Some examples: We've made a difference in California education, including in how teachers and future teachers are prepared to succeed. We've had a big influence on the way national youth development organizations evaluate their work. We've also been an innovator in the environment arena and created enduring infrastructure related to water and land management in California. I'm proud of all that.

I'm also pleased that we're sharing our strategies and resources with the field, along with reflections on things we've learned through our experience.

NICK

## Some limited-life foundations create a perpetual archive. Did you go that direction?

LAURIE

Several years ago we took a good look at the pros and cons of creating a formal archive. We ultimately decided against it, and at the same time made a commitment to broadly communicating our program strategies and insights, and telling our spend-down story.

We actually documented the considerations and what went into the decision not to create an archive. You can find that essay in the NCFP [Knowledge Center](#).

NICK

## How did you go about retaining staff through the Foundation's conclusion?

LAURIE

We compensate our staff well. We added a human resources director who interviewed all staff several years ago and formed a number of strategies based on staff needs and interests. And we recently completed a follow-up survey to see what mattered most.

Staff members said that flexibility is important—with regard to work hours and schedules and in terms of working from home. Employee-directed career development was also rated very highly; we offered people a combination of in-house trainings on topics they identified along with financial support for education, training, or coaching opportunities that they self-selected or designed for themselves.

NICK

## Any parting words of advice?

LAURIE

In recent years, I do get asked about what it takes to spend down well. Here is my short list of advice: 1) Commit to making a difference and being clear about goals. Spending down multiplies the resources available; it also accentuates any internal confusion or misalignment regarding priorities. 2) Put funds to work to build strong organizations and fields. You can be guided by founder interests while also listening and responding to what grantee leaders say they need to succeed. 3) Demonstrate courage and tenacity. Spending down is a joyous but difficult process. 4) Realize that your foundation's work is not done at sunset. In fact, you may not ever precisely know how your story ends; this is why it is so critical to invest in the capacity of others.

NICK

## How can people learn more about the S. D. Bechtel, Jr. Foundation and its spend down?

LAURIE

We have taken care to write up snapshots of our major Education Program and Environment Program strategies, as well as reflections from staff on what we did and what we learned in implementing and evolving these strategies. That content and much more will live on our [website](#) for a period of time past our conclusion.

I'd invite anyone who wants to go deeper and get inside our experience to read the full series we created on our spend-down journey—the third and final chapter carries more detail on topics I have touched on in response to your questions. That series is available on the NCFP [Knowledge Center](#) too.

We are excited to partner with Candid and to have a [Legacy Collection](#) that will carry all the above knowledge-sharing products for years to come.