



Grantmakers in the Arts

GIAreader

Vol. 20 No. 2, Summer 2009

Ideas and Information on Arts and Culture

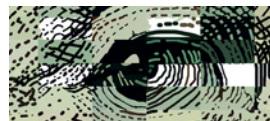
Vital Signs: Arts Funding in the Current Economy



Ten Thousand Cents, 2008, is a digital artwork by Aaron Koblin in collaboration with Takashi Kawashima. It was created by dividing the image of a 100 dollar bill into ten thousand pieces and giving one of these pieces to each of ten thousand individuals around the world. Working in isolation from one another, each person reproduced their tiny part of the bill without knowledge of the overall task. Amazon's Mechanical Turk tool was used to pay each member of this distributed labor force one cent, the total cost of labor to create the work.

Ten Thousand Cents is presented on the Web as an interactive video piece. You can link to an animated version of the piece <www.tenthousandcents.com/> that allows you to isolate

each of the 10,000 segments of the image by clicking on any given spot. You will see both the original tiny piece and next to it, in motion, that specific reproduced cell being drawn.



The project explores the circumstances in which we live — the new and uncharted combinations of digital labor markets, “crowdsourcing,” “virtual economies,” and digital reproduction. A philanthropic component was also added: prints of the work are for sale (\$100, of course) with all proceeds benefiting the One Laptop per Child project.

VITAL SIGNS: ARTS FUNDING IN THE CURRENT ECONOMY

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How to order a bound copy of this issue of the *Reader*



This is the first issue of the *Reader* published in PDF format. The file is also available on the GIA website, and individual articles are also available in the GIA web Library.

You can also order a saddle-stitched hard copy for US\$16.00 from Lulu, our print-on-demand service at <http://stores.lulu.com/giarts>

FROM THE EXECUTIVE DIRECTOR

In Response to the Times

As we move through the greatest economic downturn since the great depression, Grantmakers in the Arts has analyzed its programs and put together what we believe to be an appropriate response to the times. This edition of the *Reader* is part of our design to provide relevant research and statistics to the field in an economical and efficient manner. This summer edition of the *Reader* is published solely on-line. A PDF file was mailed to all members and subscribers and is available on the website, and the individual articles are also posted in the GIA web Library. If you would like a saddle stitched hard copy — you can order one from Lulu, our print-on-demand service: <http://stores.lulu.com/giarts>.

As co-editor Frances Phillips defines it, the summer version is the “skinny” *Reader*. It seemed logical that we would begin our new era of improved electronic communication with our members and the entire arts philanthropy field with this edition. The fall edition will once again be published both on-line and in print.

The arts community will see a couple more changes this year in GIA’s approach to its work. First, we will launch our new website late summer or early fall which will include our library of over 3,500 articles available to members and non-members. The new part of this, aside from the new look and more transparency on the content of the site, will be greater search capacity making our library of extraordinary philanthropic resources more accessible to the field of grantmakers and grantees. The site will continue to have a members-only section which will provide greater interaction with individual members, the member directory and potential for highly functional discussions between groups of members who want to discourse on any given topic. We will also provide more directed information for our interest groups.

From October 18-21 in Brooklyn, NY, grantmakers in the arts from every sector and community are invited to join us at our national conference. Again, in response to the times, this convening entitled “The 2009 Recession Conference: Navigating the Art of Change,” will provide an opportunity for focus groups with peers, plenary sessions on the future of the economy, Wynton Marsalis’ inspirational “Ballad of the American Arts” and best practices, some new and some old, that are setting precedent for funding in the future. Public agencies, private and community foundations, corporate funders and nonprofit grantmakers will come together at a time of new perspectives. My primary goals of this, my first GIA conference as executive director, is to have all sectors of the field represented and that participants leave with valuable new ideas, hope for the future and more resources to do their work. Our one-day preconferences October 18 on arts education, social justice, and support for individual artists are opportunities to share valuable information in an intimate and informal setting. We come to learn, to find new ideas and to share our work that is often isolating and always complex in an environment that is comfortable and welcoming to all grantmakers.

Enjoy this 2009 Arts Funding Snapshot edition of the *Reader*. “Enjoy” seems a relative term in this context. Although times are tough and some of the information provided here is not pleasant for any of us, we remember that the artists that inspire us continue to create because they are driven to do so and the arts organizations that produce and support their work are the pride and engines of the creative communities in which we all aspire to live. GIA hopes to respond to the goals of grantmakers in a timely and relevant manner. We are the “big tent” of arts philanthropy and our responsibility to bring the field together is more important today than ever before.

Janet Brown
Executive Director

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and Frances Phillips

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Grantmakers in the Arts

Our Mission

The mission of GIA is to provide leadership and service to advance the use of philanthropic resources on behalf of arts and culture.

Our Vision

- Arts, culture, and creative expression will always be valued as essential to human experience;
- Robust, thoughtful, and diverse systems exist to support artists and arts organizations; and
- The arts continue to inspire lively and engaged philanthropy.

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FROM AN EDITOR

Summer is the season when GIA checks the vital signs of arts philanthropy, looking back over the prior year for evidence of rosy health or dulled reflexes. Among its editors, we think of the annual slimmed-down-for-swimwear-and-funding-data *Reader* as — “the skinny *Reader*.”

While prior editions of “the skinny *Reader*” looked at the recent past and compared it to the deeper past, given the sea change in the economy and in social and political life, the editors and GIA research advisors have taken a different tack this year. We have made our best efforts to look ahead.

At the center of that prognostication is “In the Face of Recession, What are Arts Funders Doing?” by Holly Sidford of Helicon Collaborative. Drawing from interviews with twenty-two diverse arts funders, Sidford’s piece summarizes the choices they are making and how they are looking ahead. She writes, “Regardless of their position on what should change, everyone we interviewed asserted that this is a rare moment to invest in genuine transformation and not to prop up the status quo.” Sidford challenges us as grantmakers to ask ourselves — just as we ask our grantees — whether we are relevant, whether we are using technology effectively to diminish costs, and whether we are engaging young people in our work. Further, are we

collaborating to achieve greater community purpose and are we doing work that spurs our own creativity?

“In the Face of the Recession” is complemented by three “temperature taking” pieces that look at the current state of foundations, of public agencies, and of individual artists.

The first of these was developed through GIA’s continued collaboration with the Foundation Center. It is fundamentally different from prior “Arts Funding Snapshots” that have been retrospective. Steven Lawrence, senior director of research for The Foundation Center, was asked by GIA to see what the data from their annual foundation giving forecast would reveal about the state of arts philanthropy in 2009 and beyond. Lawrence took on the task with a caveat: the data that he could use to anticipate future foundation funding does not look at arts funding separately, though he was able to distinguish foundations with an arts subject area from all others. The Center’s synopsis, provided here, also provides an analysis of foundations’ behavior in other recessions.

Among other reflections, the report anticipates a drop in 2009 arts giving by a percentage in the high single digits or low double digits compared to 2008 giving (a year in which giving by foundations with arts subject areas declined

by 1.1 percent while overall foundation giving rose by 2.8 percent). Lawrence predicts that the 2009 decline in arts and culture philanthropy will mirror — not exceed — declines in other fields.

While Congress approved an additional \$50 million for the National Endowment for the Arts’ budget, many states are grappling with major deficits and, of the federal, state, and local funding streams, Angela Han of the National Assembly of State Arts Agencies (NASAA) describes state arts resources as “the most volatile.” Han’s update on public funding for the arts shows an overall decline from \$4.51 per capita in 2008 to \$4.27 per capita in 2009.

A regionally-focused survey, conducted by Artist Trust, Seattle, looks at the economic situation for individual artists, who are witnessing decreasing demand for their work, the closure of exhibit and performance venues, and the loss of such “day jobs” as adjunct teaching positions.

So, we present you with 2009’s sobering skinny *Reader*. Like this year’s conference, it invites all of us who care about the vital role of arts and culture in American life to recognize where we stand and to lean upon our resourcefulness, pragmatism, and vision.

Frances Phillips
Co-editor, *GIA Reader*

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In the Face of Recession, What Are Arts Funders Doing?

A Snapshot View

Holly Sidford, *Helicon Collaborative*

As funders we have three main challenges: first, getting a handle on the extent and impact of the recession; second, exerting leadership — being bold, positive, and opportunistic without being insensitive; and third — and most important — asking ourselves the same tough questions that we are asking grantees: how do we slip the vice-like grip of old mindsets and behaviors and adapt so we increase our relevance, resilience, and meaningful contributions to our community?

“The arts community sometimes thinks of itself as separate from the rest of the world. Connecting with, supporting, and learning from other sectors is critical to thriving in the future.”

— *Foundation President*

This article summarizes interviews with twenty-two diverse arts funders conducted in late April and early May and incorporates results from electronic surveys of arts funders conducted by GIA (in January and May) and New York Grantmakers in the Arts (in March). It is part of GIA's effort to provide members with real-time information about the impacts of the recession on funders and the arts field as a whole. Related GIA initiatives include its *Economic Turmoil and Change* blog; regional and national conference calls; previous articles in the *GIA Reader*; and a report on funding projections from the Foundation Center (also in this issue of the *Reader*).

The people interviewed for this article include representatives of private, corporate, and community foundations; local and state arts agencies; endowed and unendowed funders; and those that fund in multiple sectors as well as those that fund only in the arts. We spoke with program officers, program directors, and presidents or executive directors reflecting local, regional, and national perspectives. This was not conceived as a comprehensive study, but rather a gathering of representative opinions which, taken together, may suggest current patterns and a future trajectory.

Overview

Private and public sector arts funders across the country are still reeling from the shock waves of the recession. While a few have maintained or even slightly increased their giving compared to last year, most arts funders have reduced current grants budget by at least 10 percent and some by as much as 80 percent. Most are projecting further reductions

in the next two years. Those whose own grants budgets have not been severely reduced are nevertheless directly affected by their peers' cutbacks, as nonprofit arts organizations increase their pleas for special consideration in these difficult times.

Funders' reactions are varied and inventive, but most appear to fall into one of three categories:

- **Concentrating the cuts** — making major reductions in this year's or next year's grants budget;
- **Spreading the pain** — distributing reductions over several years to ameliorate the size or impact of cuts;
- **Rethinking the business** — significantly re-configuring programs and, in some cases, the entire focus of the arts program.

— *Foundation President*

Honoring previous commitments is all funders' highest priority. Some are meeting their obligations by re-negotiating the terms of grants, loosening restrictions, or lengthening the payout schedules. In one case, a foundation has negotiated with a grantee to postpone payments on an endowment pledge, but is adding funds to the total pledge to make up for the lost investment income from that endowment.

Even as they cut ongoing programs or postpone other planned initiatives, a number of foundations have initiated special programs to address the emergency, supporting loans, technical assistance, convenings, and grants to encourage collaborations, mergers or closures.

Funders' opinions about the arts community's response to the downturn are complex. Many express great admiration for the agility and resourcefulness of arts organizations, and believe the arts groups have been smarter and more nimble than nonprofits in some other sectors. Most express great sympathy for the challenges facing arts organizations, recognizing that the recession is making it even more difficult for them to deal with pre-existing structural problems such as inadequate capitalization and dwindling audiences. The majority are not surprised that most arts organizations have not made major changes in their activity yet. As one noted, "It is very difficult to make big strategic shifts in such a murky environment. They don't have enough information to ground such decisions, and we should not be pushing them to make those decisions prematurely."

A few funders outspokenly wish that arts institutions and artists would do more. In the words of one funder, "Our country has never needed what the arts have to offer more than now. Recessions represent a loss of confidence, even a

loss of hope. The arts are an antidote to that. The arts give people perspective, a sense of possibility, joy and insights about the ways we have overcome pain and adversity in the past. In my view, too many arts groups are not responding *right now* to our country's crisis of confidence. They are locked into programs they decided on two years ago, which don't connect with what people are experiencing today. They are not relevant, and they behave as if they would rather die than change."

Despite the very real challenges facing both foundations and the arts sector, funders are optimistic about the future and believe the long-term prospects are positive. They believe there is additional trauma ahead, and it is likely that numerous arts organizations will be forced to fold or substantially reconfigure themselves in coming years. But they also think that the groups that endure, while they may be smaller in size, will be tougher and more resilient in character.

For themselves, funders hope that this crisis will teach arts grantmakers lasting lessons about humility, flexibility, and focus. "If we can be less bureaucratic and more responsive during this crisis, why can't we remain that way after the crisis?" asked one. Another observed, "If nothing else, this situation should wake all of us up to the importance of understanding nonprofit capitalization and the art of the long view. Maybe this is the beginning of the end of funders' focus on project grants, and the beginning of more appropriate and informed funding strategies genuinely tailored to each recipient's needs."

Funder Actions in the Face of Recession

Interviews and survey results reveal some clear trends:

- **Significant reductions in private foundation endowments and public agency budgets.** The average loss in endowment assets of arts funders appears to be in the 20-25 percent range, although some have experienced much greater drops — up to 35 percent for at least one. Public agencies have experienced equivalent or even greater cuts, approaching 50 percent in a few cases.
- **Concentrating the cuts, spreading the pain, rethinking the business.** Each foundation is crafting its own response to the downturn. Some are shifting the basis of their payout — moving from basing it on an average over twelve quarters to basing it on four, if only for one year. This means steep reductions in grants this year or next, but a steadier

course in subsequent years. Other foundations are trying to ameliorate the effects of their reduction in assets, in some cases exceeding their standard 5 percent payout practice or using lines of credit to sustain grantmaking levels and avoid invading endowment principal.

More than 25 percent of our interviewees are re-shaping their arts programs altogether. Some are still in the planning process, but change for all of these private funders appears to be headed in the direction of "negotiated operating support" or long-term strategic partnerships

— fewer, longer, and more flexible grants tailored to achieve greater impact. Most of these foundations began rethinking their approach prior to the recession; they all

feel the economic downturn confirms their choices. "We want to get to a future that does not look like the past. We had to change our own construct first. The recession only reinforces our view that we need fundamental shifts in the way the nonprofit arts sector operates and how funders support leadership in this field."

— Foundation Program Director

- **Existing commitments are the priority.** To honor existing commitments, some grantmakers are postponing new initiatives and some are dropping pilot programs. Many are re-negotiating the length or terms of commitments but not adjusting the grant size. A few multi-focus foundations that have experienced significant losses have eliminated entire programs (the San Francisco Foundation ended its Social Justice Program, for example), but none we interviewed had terminated its arts program.
- **Projected cuts for 2009 grants vary from 5 percent to 80 percent; most expect further cuts in 2010 and 2011.** Close to 60 percent of the funders who responded to GIA's May survey¹ have cut this year's grantmaking budget by 10 percent or more; 20 percent have cut their grants budgets by at least 50 percent. Approximately 40 percent have made no change in their grants budget compared to last year. Public funders appear to be experiencing greater losses than private funders, in a few cases exceeding 40 percent. Both private and public funders expect to see additional cuts after 2009, and some project additional cuts of more than 10 percent in each of the next two or three years.

- **Funders are re-negotiating current grants, relaxing guidelines, and giving priority to operating support.** In response to requests from grantees, most funders are lengthening the term of existing grants and allowing project grants to be re-purposed for general operating support. Several are being less strict with their matching requirements. A number have simplified application procedures, reduced the materials required with applications, or expedited payments to help grantees with cash flow. Some are allowing organizations to adjust their payout policies on endowments or other restricted funds previously funded by the foundation.

“Did you come here just to complain? Or to complain and then do something about it?”

— *Foundation Program Director*

- **Support for artists is firm.** Those funders who provide fellowships and other kinds of support for artists are sustaining those programs, and in a few places increasing emphasis on artists’ needs.
- **Fewer grants for capital projects.** The majority of funders who make capital grants are suspending these programs for the present, or limiting these grants to small and mid-sized organizations “because they need our help more than the big institutions.”
- **Emergency responses.** A number of foundations have launched special initiatives to help nonprofit organizations cope with the recession. Examples include San Francisco Foundation’s Nonprofit Transitions Fund and New York City’s Capacity Building and Oversight initiative. None of these initiatives is focused exclusively on arts organizations and — at this point — all appear to be initiatives of one funding source, not collaborative ventures. In addition, some arts funders are making special grants to national and local service organizations to boost assistance for both artists and arts organizations; these efforts are supporting consulting services, joint marketing initiatives, knowledge networks, and technical advice. Numerous funders indicated they have or will invest more resources in convenings for the field, promoting opportunities for arts groups and artists to gather, network, learn from each other and explore possibilities for collaboration or joint action.
- **Funders’ strategies to cope with budget cuts include reducing the size of grants, turning down more proposals, consolidating funding programs, and not taking proposals from new applicants.** The most frequently mentioned steps involve limiting the applicant pool and increasing the number of rejections. For many that have decided to restrict organizations’ access to the foundation,

it has been a wrenching decision. “Moving to an invitation-only process was an enormously difficult value decision for us, but we did it because we want to be clear with groups about their funding prospects and do not want to waste their time.”

- **Arts funding is steady relative to the funders’ other commitments, but the case for support is getting harder to make.** Where funding the arts is part of the donor’s will or specific directive, obviously, sustaining arts grantmaking is not in question. But several funders we interviewed believe that the recession’s impact is greatest on nonprofit sectors more heavily dependent on public sources than the arts (social services, education, and health, especially). In the face of this human emergency, their foundation boards and staffs are struggling with the rationale for arts support. Actions by some arts groups are not helping. “A number of arts groups appear to be making very cynical budget cuts – visibly eliminating their programs for poor youth or impoverished neighborhoods in a bid for ‘sympathy’ funding. This reinforces the perception that the arts are disconnected from, rather than integrated into, the lives of their communities.”
- **Administrative cuts and effects on staff.** The majority of arts funders have reduced foundation expenses. In one case, administrative cuts have been the same as the cuts to the grants budget (25 percent), but most are more modest cutbacks that include freezes on hiring, travel, conferences, consulting contracts, memberships, and other administrative costs. All public arts funders reported layoffs of staff, but only about 20 percent of private foundations appear to have made staff cuts. While most funders are holding on to their jobs, the jobs are becoming increasingly stressful. “I recognize that we funders are a lot better off than most of the arts groups that come seeking our help, but the endless line of extreme need is truly debilitating. The anxiety and grief in the field is pervasive, and it affects us too.”
- **Communicate, communicate, communicate.** Funders have upped their efforts to inform stakeholders about their current situation and likely future actions. This has included letters to constituents, posts on websites, increased email, more site visits to grantees, “listening tours” in diverse neighborhoods, and more frequent meetings and phone conversations with artists and arts organizations. Arts staff in one foundation has visited every one of its grantees. In addition, funders have increased communication

with each other and are more regularly exchanging information about evolving conditions, responses, and good ideas.

Funder Perceptions of Arts Community Response

Broadly sketched, funders see arts groups responding in one of three ways: 1) proactively addressing the situation; 2) being cautious, cutting costs, and waiting for more information about the economy, ticket sales and funding decisions; and 3) semi-paralyzed.

The first group includes organizations that see this as an opportunity to re-imagine and re-organize their work, along with groups who are so embedded in their communities that they are not experiencing any downturn in audience or funding support. The second group includes the majority of arts groups, who are reducing expenses, cutting staff and programs, and monitoring income very closely but who are not making significant changes in plan. The third group includes organizations that think they can hold on through 2009 and are confident the situation will improve in 2010.

Views differ on how many of their grantees fall into each of these categories, but in general funders worry that arts groups are not responding quickly enough and that neither staff nor boards are being sufficiently responsive. "We were very surprised to see that the vast majority of proposals submitted for our January deadline did not reflect any recognition of the severity of the crisis. Only a few applicants suggested that they would be trimming their budgets in the coming year." In the May GIA survey, one funder noted, "I have noticed a large number of cultural grantees that have huge gaps between what is raised and what is budgeted. They are not overspending; they have just not revised the old budget. Is there a conversation that should be happening with the board of directors?"

There is no consensus on which organizations are suffering the most. Some think the current economy is toughest on small organizations; some think the impacts are worst for the largest institutions. All agree that groups running capital campaigns are especially pinched. In many places, funders noted happily that ticket sales and admission fees appear to be keeping pace with last year or exceeding numbers from

this time a year ago. Donations and contributed income, however, are down across the board. "I see organizations really struggling. They are trying to transcend their fear. They are trying to imagine smaller, re-invented organizations that they can still believe in. The widespread paralysis is a function of the lack of information. The world is saying, 'Hurry, change.' But so much is unknown. People don't want to make stupid decisions just to make decisions."

Several funders volunteered their view that younger and smaller organizations appear to be some of the most

nimble. They see these groups forging inventive partnerships (including with non-arts groups); creating new hybrid business models; disbanding their 501(c)(3) organizations in favor of working under the aegis of fiscal sponsors; and imaginatively balancing live and virtual modes of creating and presenting work, including engaging audiences in non-traditional venues such as restaurants,

public parks, and private homes. There was agreement that an organization's size, age, and artistic discipline are less important factors in determining success than the organization's rootedness in the community and its ability to adapt to changing circumstances.

Funders we interviewed who provide direct support for artists are defending these programs fiercely. Many view fellowships for artists as the analog to operating support for institutions and are giving priority to fellowships over other forms of artists' support. "Artists struggle in the best of circumstances and are harshly affected by any economic downturn." But some also see opportunities for artists in this economy. Several noted that depressed real estate values are making it possible for artists to buy live or work space that was previously out of reach, and advances in technology are facilitating inexpensive, direct connections between artists and their customers and audiences.

In times of stress, collaborations are desirable but complicated. Funders we interviewed mentioned examples of organizations collaborating to address problems caused by, or made worse by, the recession. For example, a consortium of eleven arts groups in New York City is organizing to share equipment and other resources and to conduct joint marketing. In several places, theaters are merging their prop and costume shops. A number of funders have created special funds to encourage nonprofits of all kinds to consider

collaborations, shared services, joint buying programs for supplies, health insurance and (in at least one case, energy), consolidations, or mergers. However, many funders we interviewed suggested that mergers in the arts are inherently problematic because each organization has a distinct artistic vision that resists combination with others. Some suggested that it might be easier for an arts group in one discipline to join with one in another discipline (dance and theater, for example, or theater and music) or to combine with a non-arts group than it would be for two groups in the same discipline to integrate.

What Does Adaptation Look Like? For Arts Groups

We asked funders to describe the characteristics of the arts groups they think are adapting most effectively to changing circumstances. No one we interviewed had a definitive list, but these qualities were mentioned most often:

- Courageous leaders, willing to ask tough questions about the relevance of their organization to its community, face the answers honestly, and take informed risk.
- Relentless focus on core mission and strategic position, and on capitalizing the core mission (that is, secure the necessary financial resources for the core before funding any ancillary activities).
- Clarity about the function of structures, processes, and products, and flexibility (even heretical flexibility) about the forms those functions take.
- Powerful connection to and genuine engagement with community.
- Forecasting ability and a keen interest in the larger forces likely to impact viability — economics, demographics, technology, audience behavior, capitalization, environmental sustainability, and community priorities.
- Strategic thinking, capacity to learn from previous experiences (both positive and negative), and nimbleness in integrating change strategies throughout the organization.

Many we interviewed suggested that the arts organizations and artists who are faring best in the recession are those that had begun dealing with their changing external realities prior to the crash. These groups have been working for some time to address shifting demographics, new technologies, and audiences' increasing desire for genuine participation. One funder commented, "We know the

economy will rebound, eventually. These other changes — technology, demographics, audience expectations — these changes are *permanent*."

The ones that have been clear-eyed about money and about the limits of the current nonprofit business model are also better positioned for this economy. "The groups that learned from the 2001 recession and didn't bulk up during the subsequent boom are managing better than those that inflated themselves along with Wall Street and the housing market."

"Our country has never needed what the arts have to offer more than now. Recessions represent a loss of confidence, even a loss of hope. The arts are an antidote to that."

— *Foundation President*

Funders also observed that organizations and artists that have a clear niche and are providing a unique service seem to be doing better than those with vague identities or programs indistinguishable from

their competitors. "The groups that did genuine competitive analysis and scenario planning before the recession are in much better positions now than those that didn't."

For Funders

Many of the funders we interviewed suggested that philanthropic organizations must adapt now too, especially those that are likely to experience sustained reductions in their grantmaking. The people we interviewed were not uniform in their opinion about what adaptation looks like in arts philanthropy, but several noted that funders — like arts groups — need to adjust their practices to changing circumstances. As one said, "With a 5-10 percent cut, you can pretty much keep doing what you've been doing. Above a 10 percent cut, you'll have to change either your goals or your methods, or both. And whatever you do with the remaining resources should be worthy of the pain you endured by cutting. The new construct needs to be meaningful and inspiring."

Well over half of the group we interviewed believes adaptation for funders means paying greater attention to the interplay of social and creative purposes, and ensuring that arts groups have a base of community support that will sustain them. Said one, "Both funders and arts groups need to be more comfortable blurring the professional-amateur line. Our communities are looking for something that the arts can provide. But people are not looking for that "something" through the traditional delivery mechanisms, that is, by attending events controlled by arts professionals. People want to be involved, they want to really participate."

Not surprisingly, the funders who started revamping their arts programs before the recession were the most vocal about this opportunity, stressing the need to be clearer about foundation mission ("no more pity grants") and

more flexible about grantmaking strategies (“fewer short-term project grants, more long-term partnerships for negotiated outcomes”). One put it very succinctly: “We need to understand BOTH what constitutes a sustainable institution AND what constitutes a supportive environment for unsustainable institutions. Many groups are worthy and important but shouldn’t live forever. How do we encourage intelligent capitalization and — as appropriate — shorter life spans?”

Forecasting

The current situation suggests some longer-term implications for funders and arts groups. This includes both harsh realities and unexpected opportunities.

Harsh Realities

Most grantmakers we interviewed think the economy will not fully recover for at least three to five years.

A few foundations expect their grants budgets to have rebounded by 2011, but the majority worries that the economic picture will not substantially improve before 2012 or 2013. Given that most foundations make their grants based on a three-year rolling average of assets, the negative effects of the downturn on foundation payouts may extend substantially beyond the point of economic recovery.

All the funders we interviewed think more arts organizations are going to go out of business or be completely reconfigured in the years ahead. As one funder noted, “Lots of organizations can make it through twelve months of severe constraint. Few can make it through thirty-six months of that.” Several of the funders we interviewed take the position that downsizing the sector may not be all bad. “The sector is either overbuilt or under-resourced, or both. We don’t need any more arts groups with limited audiences balancing their budgets on the backs of poorly paid staff. Some pruning may be in order.”

It’s worth noting that none of the private funders we interviewed discussed the possibility of voluntarily spending down their endowments and going out of business.

All agreed that even if the U.S. economy is fully recovered in five years, the picture for our sector will not return to what it was in 2007 due to changes that will occur in the intervening years — including shifts in public policy, public priorities, and capital markets as well as constantly evolving developments in demographics, technology, and environmental consciousness.

Opportunities for the arts

While acknowledging that it is very difficult to change behavior in the midst of a crisis, the funders we interviewed think that an extended recession may propel arts groups to

rethink some of their basic assumptions and this may have positive results. Many of the concepts that guided the development of the arts sector in the twentieth century were antiquated before the recession, and seem even more so now. “For forty-plus years, we have believed that if you’re not growing, you’re dying,” said one person, “and that artistic mission is separate from and more important than social mission. These and other ideas we have taken for granted no longer align with evolving circumstances.”

Shifts in philanthropy and audience behavior, exploding numbers of nonprofit arts organizations and commercial arts options, and inexorably rising costs are undercutting the business model of many arts organizations, and the current economy is exacerbating these challenges. But several funders think

“We know the economy will rebound, eventually. These other changes — technology, demographics, audience expectations — these changes are permanent.”

— *Executive Director, local arts agency*

there is opportunity in this situation. One funder quoted a grantee, who said, “Arts groups have been saying their business model is dead for some time, but not doing much about it. Now’s our moment to really rethink.”

One grantmaker framed the situation this way: “What does a business model based on relevance and resilience look like? Can the arts field learn to accept the idea that death is a part of life and that every human endeavor has a natural life span? I think we should develop the concept of a living will for arts organizations (and other nonprofits), and develop funding programs that help organizations live a full life and then go out of business gracefully.”

A number of funders see expanded possibilities for the arts as a result of Barack Obama’s election. Opportunities include jobs for artists in expanded national service programs, new roles for artists and cultural leaders in foreign policy and diplomatic efforts, and refreshed commitment to arts education at state and local levels. Organizing and mobilizing for these outcomes is challenging, but the returns could be significant.

Opportunities for funders

The funders we interviewed criticized many of their own past behaviors as overly hubristic, directive, and bureaucratic and discussed ways the economic crisis could result in positive change in funding practices. Many hope that they can hold on to the flexibility and responsiveness that they have demonstrated in the wake of the recession. Others suggested this is a time for arts funders to master the fundamentals of nonprofit capitalization and be more responsible about the way they invest in arts enterprises, making fewer short-term project grants and more holistic investments in both individual institutions and collaborative endeavors. Still others suggested that this upheaval may result in a shift

away from institutional subsidy in favor of greater focus on creation of work and engagement of audiences.

Regardless of their position on what should change, everyone we interviewed asserted that this is a rare moment to invest in genuine transformation and not to prop up the status quo. One summarized the thoughts expressed by many: "We need to align both the business models of cultural organizations and our philanthropic practices with contemporary reality, especially the reality of demographic change, climate change, and the cultural and political dimensions of plurality."

Priorities for Action

It's clear that arts funders are stressed and most do not see this as a moment for bold action or large-scale change strategies. Some seem almost chastened by recent events and wary of any suggestion that funders have "the solution" for arts organizations or that grantmakers should do anything more than hold onto what arts funds they can and remain as responsive as possible to the field's needs. It may be that we must wait for the true crisis to pass before new thinking can distill and new approaches can be tested.

But while we wait for the economy to recover, we can lay some of the groundwork for the next phases of arts philanthropy and the cultural sector's development. From our interviews, we detected a growing appetite among funders to think in fresh ways and support meaningful change, including different nonprofit business models. We see five priority areas for action:

Taking our own medicine

Funders and cultural organizations differ from each other; they have different missions, different roles, and different resources and challenges. But we heard repeatedly that funders should heed the advice they are giving grantees. Are funders relevant? Are they giving up some of their institutional ego to achieve greater community purposes? Are they affirmatively collaborating with other funders and partners? Are they using technology effectively to diminish costs, increase effective communication and spur their own creativity? Engaging young people in their work? Genuinely assessing the demographics of their communities and reaching diverse populations consistently?

Capitalization and hybrid models

The nonprofit arts business model is shaky, for many reasons. One important reason is that the practices of both nonprofits and funders have not recognized that there are different kinds of money (in the Nonprofit Finance Fund's terms: build, buy, and burn capital) and a financial diet too

rich in project grants erodes the fundamental viability of any nonprofit organization. A commitment by more funders to better understand and respect capitalization principles in their grantmaking, coupled with more open-minded exploration of ways funders can support hybrid and alternative financial models, would increase responsible practices in the future. A corollary to this is the need to adequately capitalize collaborative ventures. There are real and substantial costs involved in cooperative endeavors such as joint ticketing systems or consolidated back office functions. In times of fiscal constraint, these costs present prohibitive barriers to entry for even the largest institutions.

Leadership development — board and staff

John Kenneth Galbraith once wrote, "Change comes not from men and women changing their minds, but from the change of one

generation to the next." Whether they are younger people assuming leadership for the first time, current leaders now postponing retirement because the recession has ravaged their retirement savings, or corporate sector leaders transitioning into roles in the nonprofit world — future nonprofit arts executives are going to need a rapidly evolving combination of entrepreneurial, administrative, community organizing, and communication skills. In addition to all these positive capabilities, our boards and staffs will also need what John Keats called "negative capability ... the ability to remain in uncertainties, mysteries, doubts, without any irritable reaching after fact and reason."² They will need to understand and celebrate the very essence of art. Our training programs need to anticipate tomorrow's creative world.

Dynamic adaptability and a typology of transformation

Some arts organizations seem to be adapting to the changing twenty-first century environment much better than others. What are the qualities that distinguish those that are adjusting successfully from those that are faring less well? What are the conditions that promote responsive and responsible change? We know that one size does not fit all, and there may be important differences in how adaptation manifests itself in different kinds of organizations. But can we develop guideposts for change that will give arts organizations the help they need to eliminate dysfunctional behaviors and embrace appropriate adaptations, or — maybe in more and more cases — close their business with dignity?

Policy

A new Administration, a new chair of the National Endowment for the Arts with a background in the for-profit sector, our rapidly shifting national demographics, the growing appetite for personal engagement in the arts and proliferation

"With a 5-10 percent cut, you can pretty much keep doing what you've been doing. Above a 10 percent you'll have to change either your goals or your methods, or both."

— *President, private foundation*

of entertainment options, and a renewed appreciation for the fragility of many nonprofit arts organizations — all these and other signs point to the need for new, and different, policy discussions about arts and culture and their role in the twenty-first century.

Central to the new policy discussions should be an effort to better link the arts, in Bill Ivey's words, "to broad public purposes and the right of citizens to lead vibrant expressive lives."³ We must overcome our sector's tendencies toward institutional self-interest and self-preservation, and imagine a new, more

encompassing vision whose central value is enabling individual and community creativity and fulfillment, not defending the status quo. As one of the funders we interviewed put it, "Our working

framework has been focused on the ecology of professional arts institutions. We are now examining whether we should be focusing on a broader ecology of nontraditional arts providers and venues that offer access to multiple modes of engagement in artistic experiences." This broader ecology must include the growing population of hybrid artists and organizations that are re-defining the role of art and creativity in economics, civil society and community development — pursuing what hip hop journalist Jeff Chang calls the "creative communities approach," that produces a "rigorous and vital alternative to both neoliberal and neoconservative versions of change."⁴

The traditional divides — between the intrinsic and instrumental value of the arts, between nonprofit and commercial, between high brow and low brow, between professional and amateur, between science and the arts — all these divides are being blurred by modern life, global economics, and advances in neuroscience. Our imagination about cultural policy needs to keep up with, or better yet anticipate, the future.

Conclusion

When genes and the environment pull in opposite directions, environment wins.

— Derek Bickerton⁵

Metaphors are powerful pathways to insight, and many of us are struggling to find the right metaphor to illuminate our current experience. Is this recession like a drought? A forest fire? Plate tectonics? A major market correction? A kind of *fin de siècle* change in consciousness? A real rupture with the past or just a bump in the road? We each have our own interpretive construct, and one metaphor is unlikely to encompass all the dimensions of our experience.

But my current favorite is evolution. There is no judgment in evolution. Creatures don't prosper because they are good, or die out because they are bad. They survive, and thrive, because they stay aligned with, and relevant to, their habitat. Or they find a more hospitable niche in which to live. Evolutionary theory teaches us that adaptability, not strength or intelligence, is what improves the longevity of species. Evolution also teaches us that organisms play a role in their own development, both changing their environments and then being changed by them. As linguist and evolutionary theorist Derek Bickerton says, "Around

"Around every animal there is an envelope of potentiality, of things they're not specifically programmed to do but that they can do somehow, if they have to in order to stay alive."

— Derek Bickerton

every animal there is an envelope of potentiality, of things they're not specifically programmed to do but that they can do somehow, if they have to in order to stay alive."⁶ Species that don't adapt to shifting circumstances

— don't tap their envelope of potentiality — will tend to fade. Maybe not immediately; maybe not for a long time; but eventually the environment either reshapes organisms, or kills them.

Martin Luther King, Jr. phrased it so eloquently: "The arc of history is long, but it bends toward justice." The arc of history also bends toward the alignment of species and habitat. And that goes for all the works of human species, including human institutions — both cultural and philanthropic.

Holly Sidford is president, Helicon Collaborative.

NOTES

1. GIA sponsored an electronic survey for its members in early May. Seventy-eight funders responded out of a pool of 290.
2. As quoted in Jonah Lehrer, *Proust was a Neuroscientist*, 2008.
3. Bill Ivey, Arts, Inc., 2008.
4. Jeff Chang, "The Creativity Stimulus," 2009.
5. Derek Bickerton, *Adam's Tongue: How Humans Made Language, How Language Made Humans*, 2009.
6. Ibid.

The Outlook for Foundation Giving

Steven Lawrence

Since 2001, GIA and the Foundation Center have collaborated on an annual "snapshot" of foundation funding for the arts based on grants awarded by a sample of over 1,000 of the largest U.S. foundations. Given the exceptional challenges now facing the country's foundation and nonprofit communities, we have concluded that the arts field would be better served this year by a broad overview of how foundation giving might fare during the current economic crisis.

The following analysis documents the Foundation Center's latest findings on how giving by the universe of more than 75,000 grantmaking U.S. independent, corporate, community, and operating foundations may fare in 2009 and 2010. It also compares how giving by foundations with a field of interest¹ in arts and culture² may fare relative to overall foundation giving. While the following analysis suggests that the current economic downturn may affect foundation giving for the arts, the data did not allow this analysis to estimate the overall levels of foundation giving for the arts in 2009 and beyond.

Highlights

According to the Foundation Center, estimated foundation giving in 2009 will decline in the range of the high single digits to low double digits. At the same time, this anticipated decline will be far less than the estimated 21.9 percent drop in foundation assets in 2008. Asset averaging, increased payout rates, and exceptional commitments made in response to the economic crisis are among the factors that will moderate reductions.

Corporate foundations were least pessimistic about changes in their 2009 giving. Just over half (51 percent) of corporate foundation respondents anticipated reducing their funding, compared to 67 percent of foundations overall. It is unknown, however, to what extent corporate foundations that are holding the line on their giving will be able to balance out other foundations that either need to cut their giving or have ceased to exist.

About three-quarters of community foundations expect to reduce giving in 2009. This reduction will undoubtedly affect arts funding, as community foundations provide a larger share of their giving to the arts than do independent and corporate foundations.

The anticipated decrease in 2009 giving by foundations with an arts subject area will be consistent with grantmakers overall. An analysis of responses to the Foundation Center's annual "Foundation Giving Forecast Survey" suggests that giving by foundations with a demonstrated interest in the arts will decline at roughly the same rate as overall foundation giving.

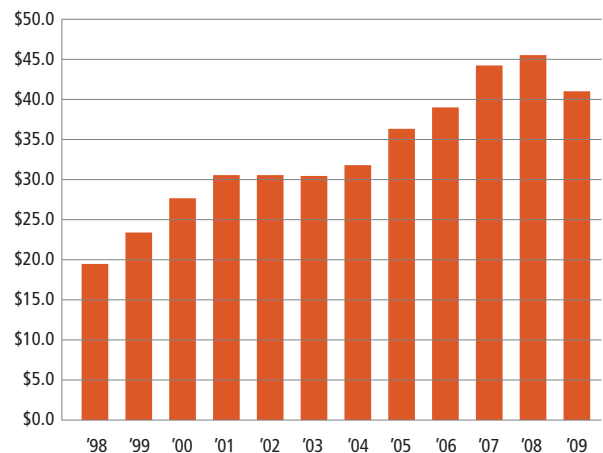
During the past two recessions, no single subject area seems to have borne the brunt of the crisis. The 1990-91 and 2001 recessions suggest that economic downturns primarily affect the overall level of foundation giving rather than funders' broad grantmaking priorities.

Outlook for all foundation giving in 2009 and 2010

The implosion of the housing market, onset of recession, freefalling stock market, credit contraction, and the worst job reductions since the end of World War II have contributed to enormous losses in private wealth and charitable endowments. The major stock market indices posted year-end 2008 decreases ranging from 34 to 47 percent. By comparison, the Foundation Center estimates that foundation assets declined far less — 21.9 percent. (Adjusted for inflation, assets fell 24.7 percent.) Nonetheless, while foundations still held more than \$530 billion at the end of 2008, this represents nearly \$150 billion in charitable resources that have been lost in a single year.

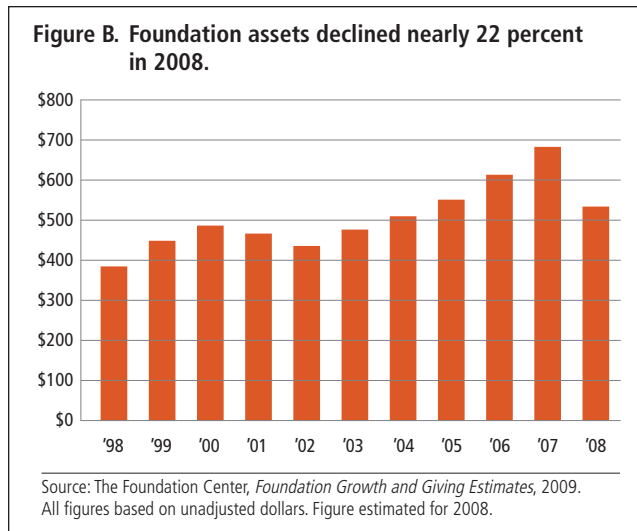
The outlook for 2009 does not appear much brighter, with most economists anticipating a modest pick-up in the latter half of the year but no meaningful recovery until sometime in 2010. Yet findings from the Foundation Center's

Figure A. Foundation giving will decline in the high single digits or low double-digits in 2009.

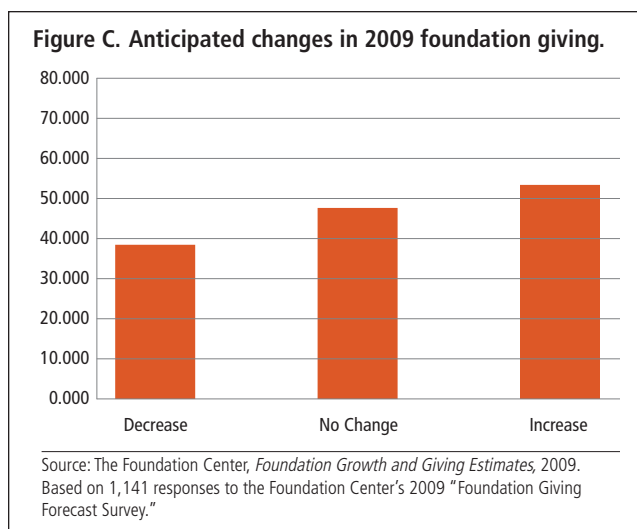


Source: The Foundation Center, 2009. All figures based on unadjusted dollars. Figure estimated for 2008 and 2009.

January 2009 “Foundation Giving Forecast Survey” suggest that 2009 foundation giving will decrease in the range of the high single digits to low double digits — far less than foundations’ asset losses in the prior year would suggest.³ (Continued economic volatility, of course, makes this prediction less certain than in more stable economic periods.) (Figure A and Figure B)



Most respondents (67.1 percent) expect to reduce their giving at least to some extent, with mid-size foundations — those giving between \$1 million and \$10 million — being the most likely to expect to decrease their giving (71 percent). The fact that some foundations still expect to increase giving in this economic climate strikes an optimistic note for the future, though this finding must be tempered by the reality of 2008 giving, when a far larger share of respondents reduced their support by year’s end than expected to do so before the economic crisis deepened. (Figure C)



Helping to lessen the potential impact on giving of this record decline in assets is the practice among some foundations of determining their grants budgets based on a rolling average of their asset values over two or more prior years. In both 2006 and 2007, foundations posted double-digit year-end growth in assets. For foundations that calculate their grants budgets this way, these two especially good years would have helped to minimize the impact of the 2008 decline on 2009 giving.

Several foundations have also announced plans to increase their payout rate, which represents the share of their assets that they distribute each year for charitable purposes, and/or to reduce operating costs to shore up their grants budgets. In addition, a number of grantmakers have made exceptional commitments to directly address the current crisis, such as assisting homeowners in foreclosure, providing credit counseling, and supporting food banks.⁴

The outlook beyond 2009 remains unclear, and much depends on when and how strongly the economy and stock market begin to recover. More than half of respondents to the latest survey expect to maintain (39.4 percent) or increase (14.1 percent) their giving in 2010, although larger foundations — those giving \$10 million or more each year — were roughly half as likely as smaller foundations to expect to raise their giving. About one in five foundations (20 percent) expect to decrease their giving in 2010. The remaining roughly one-quarter of funders (26.5 percent) are uncertain at this point.

Even if a solid economic recovery begins in 2010, foundations that establish their grants budgets based on a rolling average of asset values — including a number of the largest U.S. foundations — will be forced to factor in dismal 2008 investment performance. Of course, given the continued deterioration of the market in early 2009, foundation assets could potentially be down more by year’s end. In either case, it appears reasonable to expect that foundation giving will decline further in 2010. Despite this less positive outlook for the near term, however, foundation giving will undoubtedly begin growing again as the expected economic recovery gains strength.

Outlook for giving by foundations with arts subject areas

There is relatively little difference between the expected 2009 giving levels of foundations with an arts field of interest and those without a demonstrated interest in the arts.⁵ Based on findings from the latest “Foundation Giving Forecast Survey,” both sets of funders are expected to reduce their giving in the high single-digit to low double-digit range. Likewise, there appears to be little difference between arts funders and others concerning expected giving levels in 2010. About 21 percent of foundation respondents with arts subject areas anticipate lowering their giving

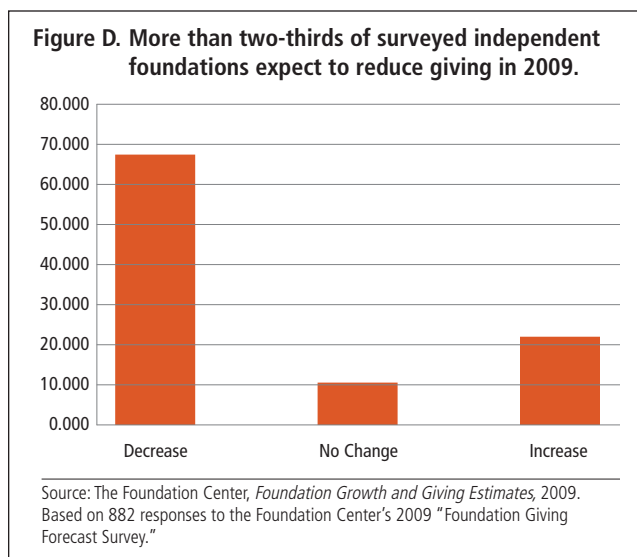
next year — compared to 20 percent of foundations overall — while more than one-quarter of both groups are unsure how their giving will fare.

Despite these similarities, funding for the arts will undoubtedly be reduced over the next couple of years, along with giving for most other fields. According to the recent Foundation Center survey, close to two-thirds of foundations anticipate reducing the number and/or size of their grants in 2009.⁶

At the same time, the vast majority of foundation respondents expect to maintain their current number of programs areas. (See page 17 “Giving Patterns after Economic Downturns”) Funders may also be more inclined to identify other strategies for achieving their goals. In fact, over half of all respondents to the Center’s recent survey (54 percent) indicated that, in response to the economic downturn, they expect to be engaging more in a range of non-grantmaking activities. Of these respondents, fully two-thirds indicated that they are seeking to engage in more collaborations and partnerships, while about one-third (36 percent) expect to initiate more convenings.

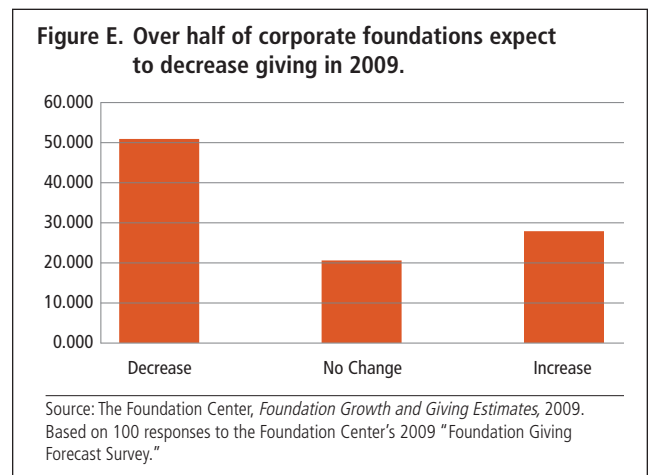
Outlook by type of foundation

Independent foundations. The vast majority of U.S. foundations are independents, including family foundations and most of the foundations formed through health care conversions. Because they predominate, the giving trends of independent foundations tend to closely mirror those of the nation’s foundation community as a whole. Thus, 68 percent of independent foundations expect to reduce their giving in 2009, nearly identical to the 67 percent share of foundations overall that anticipate cutting back on their giving. (Figure D)



Corporate foundations. Corporate foundations account for approximately 10 percent of overall foundation giving, although this share has been declining steadily since the 1980s. Nonetheless, corporate foundations have historically been an important source of support for the arts. Based on the January 2009 “Foundation Giving Forecast Survey,” just over half of corporate foundation respondents anticipated reducing their giving in 2009 — a far lower share than was reported by independent and community foundations.

This finding seems particularly surprising given that corporate foundations have arguably been even more directly affected by the rapid deterioration of the economic situation than other types of foundations. This conclusion in part reflects the historical importance of foundations established by companies in the banking and finance sector. In the late 2000s, just over one-quarter of corporate foundation giving was provided by foundations tied to companies working in the industry at the center of the current crisis. The impact of this economic calamity has also moved well beyond the financial sector, with a sustained drop in personal and corporate spending prolonging the recession and affecting corporate earnings across the board. It is unknown, however, to what extent corporate foundations that are holding the line on their giving will be able to balance out other foundations that either need to cut their giving or have ceased to exist. (Figure E)

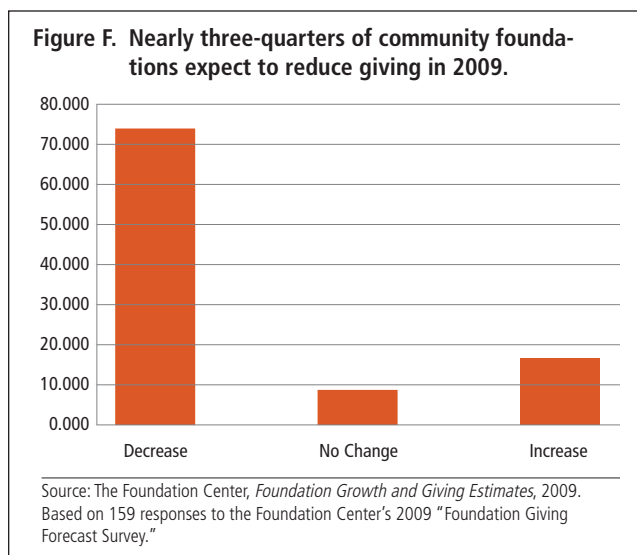


Community foundations. Community foundations have reported a fast cumulative rate of growth in giving over the past couple of decades and surpassed corporate foundations based on actual grant dollars awarded for the first time in 2008. As recently as the mid-1990s, community foundations accounted for only half as much giving as corporate foundations. Despite these gains, community foundations will be forced to reduce giving in 2009, along with independent and corporate foundations. Almost three out of four community foundation respondents to the Foundation Center’s latest “Foundation Giving Forecast Survey” anticipated a reduction. This reduction will undoubtedly

affect arts funding, as community foundations provide a larger share of their giving for the arts than do independent and corporate foundations.⁷

One factor that may work in favor of community foundations in the current economically challenging environment is that their donor-advised funds can be seen as a less costly alternative to maintaining a separate, endowed institution. This could make community foundations attractive to those donors who are still interested in establishing a formal vehicle for their philanthropy or those considering closing down their existing foundations due to a significant loss in charitable resources.

Community foundations have also tended to benefit in both more and less prosperous times from having a broad pool of individual donors. The decreased contributions of some donors tend to be balanced out by increased giving from others. However, given the broad impact of the current financial crisis, the benefits of this pooling of support on overall community foundation giving may be limited in the near term. (Figure F)



Steven Lawrence is senior director of research, the Foundation Center.

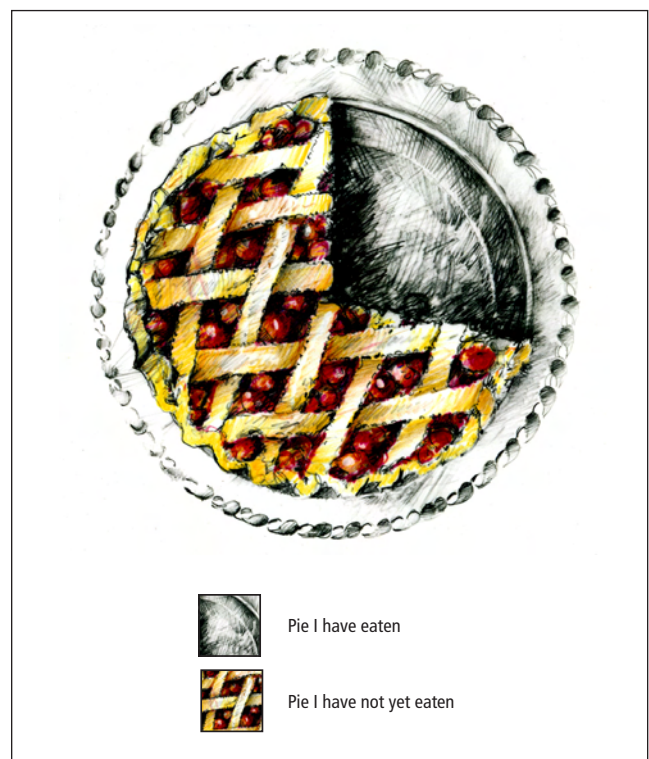
For more resources on giving in the current economic climate, see foundationcenter.org/focus/economy.

NOTES

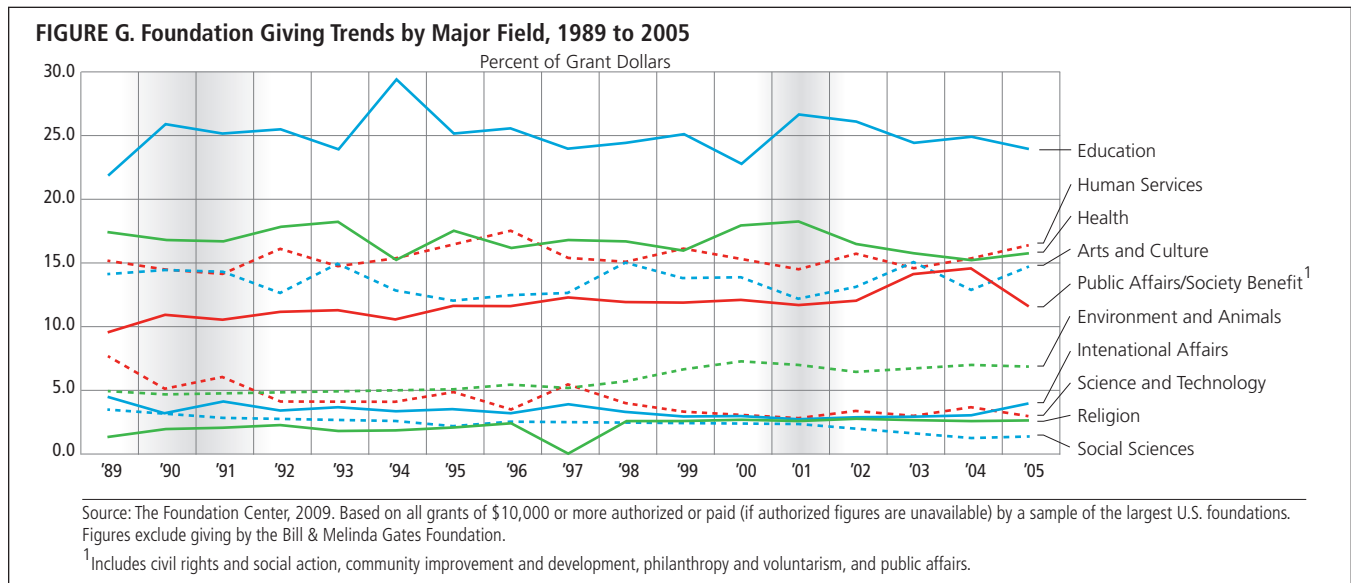
1. "Field of interest codes" are sometimes provided directly by a foundation through the Foundation Center's annual survey of larger foundations. However, when a foundation does not provide this coding, the Center's staff adds field-of-interest coding to the foundation's record if it has awarded at least 10 percent of its grant dollars in a specific field. This coding is updated annually. Note that previous GIA Snapshots have reported on the percentage of foundations that make at least one grant to arts and culture. This is a considerably higher number than the number of foundations with a specific arts and culture subject area.
2. The definition of arts and culture used for this Snapshot is based on the National Taxonomy of Exempt Entities and encompasses funding for the performing arts, museums, visual arts, multidisciplinary arts,

media and communications, humanities (including literature), and historical societies/historical preservation.

3. Giving estimates for 2008 are based on figures reported by large and mid-size independent, corporate, and community foundations that responded to the Foundation Center's latest "Foundation Giving Forecast Survey," combined with year-end fiscal indicators for the universe of more than 75,000 grantmaking foundations. The survey was mailed in early January 2009 to approximately 5,000 large and mid-size U.S. independent, corporate, and community foundations. The survey included questions on foundations' giving and assets in 2008, their directions for giving in 2009 and 2010, and how they are responding to the economic downturn. A total of 1,141 foundations provided estimates of their 2009 giving.
4. For more details, see McGill, L., and S. Lawrence, *Grantmakers Describe the Impact of the Economic Crisis on their Giving*, New York: Foundation Center, 2009.
5. Among the more than 75,000 grantmaking U.S. foundations, less than one-quarter are coded as having a field of interest of arts and culture, yet these funders accounted for close to half (47.1 percent) of total estimated foundation giving in 2008.
6. See Lawrence, S., *Foundations Address the Impact of the Economic Crisis*, New York: Foundation Center, 2009.
7. See Lawrence, S., and R. Mukai, *Foundation Giving Trends: Update on Funding Priorities*, New York: Foundation Center, 2009. In 2007, community foundations in the Foundation Center's grants sample awarded 13 percent of their grant dollars for arts and culture, surpassing corporate (11.9 percent) and independent (9.9 percent) foundations. Figures for community foundations are based on giving through both unrestricted and donor-advised funds.
8. See Lawrence, S., *Past Economic Downturns and the Outlook for Foundation Giving*, Foundation Center, October 2008).
9. See Lawrence, S., *Do Foundation Giving Priorities Change in Times of Economic Distress?*, New York: The Foundation Center, 2008.
10. See Lawrence, S., *Foundations Address the Impact of the Economic Crisis*, New York: Foundation Center, 2009.



Giving Patterns after Economic Downturns



All Foundation Giving. A Foundation Center analysis of foundation giving during prior recessionary periods, indicates that after the 2001 recession, foundation giving, in inflation-adjusted dollars, declined just 4.4 percent, compared to the inflation-adjusted 16 percent drop in foundation assets recorded between 2000 and 2002. Among the factors that contributed to this pattern: donors continued to establish new foundations, donors continued to give to existing foundations, and a number of foundations determined their grants budgets based on a two-to-five-year rolling average.⁸

Foundation Arts Giving. An analysis of foundation giving during the last two recessions (1990-91 and 2001) suggests that no single subject area is more or less likely to bear the

brunt of an economic crisis than any other. While some fluctuations in the relative shares of giving in specific subject areas did occur during the past two economic downturns, the fluctuations were not larger than those seen during the years both immediately preceding and following these periods. This suggests that past economic downturns primarily affected the overall level of foundation giving, rather than funders' broad grantmaking priorities.⁹ These findings should not be taken to mean that the specific grantmaking initiatives do not change over time. Rather, they suggest that foundations have a steady commitment to mission and to grantmaking priorities and guidelines. In fact, a recent Foundation Center survey found that the vast majority of respondents expect to maintain (80 percent) or increase (3 percent) the number of areas they support in 2009.¹⁰

Public Funding for the Arts: 2009 Update

Angela Han

Current Funding: The three primary sources of government support for the arts in the United States are federal appropriations to the National Endowment for the Arts (NEA), legislative appropriations to the nation's state arts agencies, and direct expenditures on the arts through county and municipal governments. In 2009 the NEA received \$155.0 million, state arts agencies received \$329.7 million and local expenditures were \$832.3 million. Compared to the prior year, state appropriations and local expenditures experienced declines (7.1 percent and 3.3 percent, respectively) while appropriations to the NEA grew by 7.1 percent. Combined, these three public funding streams account for \$1.3 billion in arts support, or about \$4.27 per capita. Public sector grantmakers use these funds to support a wide

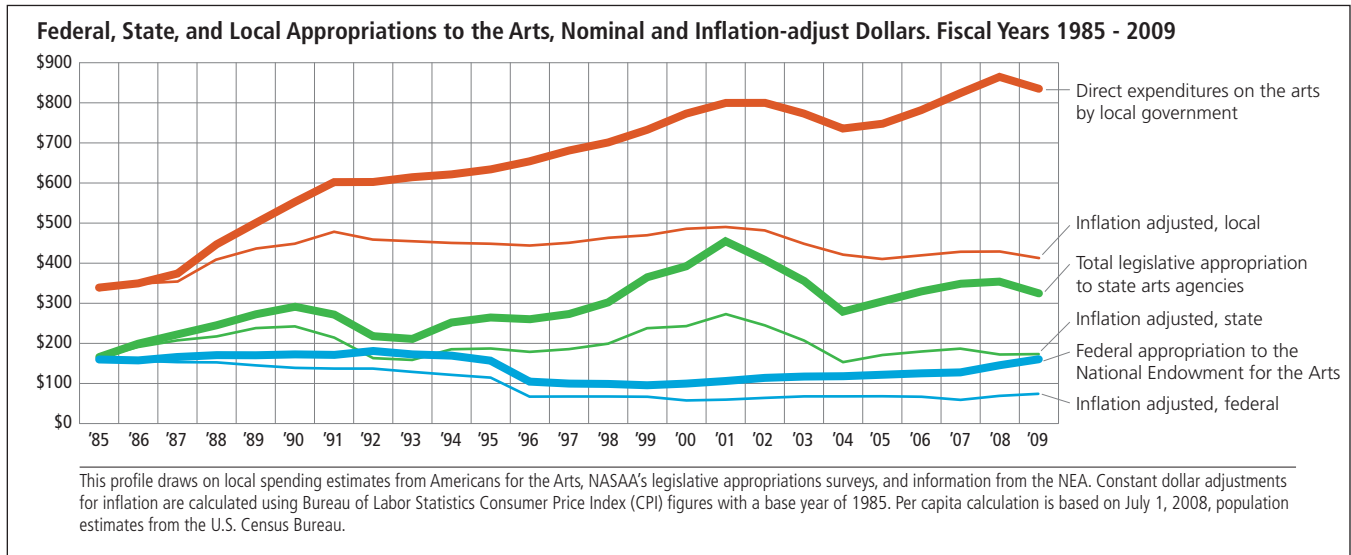
array of arts activities, artistic disciplines, public participation initiatives, and institutional grants to encourage community creativity and make the arts accessible to the public.

Dollars mentioned here and in the accompanying graph do not include \$50 million in special, nonrecurring funds appropriated to the NEA as a part of the American Recovery and Reinvestment Act (ARRA), commonly referred to as stimulus funds. These funds will be distributed by the NEA, states, and some localities for the purposes of short-term job preservation in nonprofit arts organizations.

Trends over Time: State funding is historically the most volatile part of the government arts funding mix, growing relatively quickly in times of economic expansion and

contracting sharply during recessions. During the last two recessions, major cuts have been concentrated among a small number of states, with the majority of states experiencing more moderate reductions. Due to the structure of public financing, state arts funding typically continues to decline even after a general economic recovery begins, eventually rebounding several years later. Local government arts spending is similarly affected by the economy, although increases and decreases have been less acute than state funding.

Outlook: As the second major economic contraction in less than a decade, this recession is causing significant distress in government budgets. Many states and localities depleted their reserves to address the recession of the early 2000s. Public managers are currently coping with decreasing revenue from all major tax sources while demand for public assistance and unemployment benefits is on the rise. To address this crunch, state and local governments were forced to enact mid-year spending cuts in 2009, and most expect continued budget gaps for the next several years. Fiscal



While most state and local governments are required to maintain balanced budgets each year, the federal government is not and has often increased spending during recessions. In the past, political influence has been a relatively more powerful driver than economics in funding for the arts. Appropriations have grown steadily over the last ten years and have remained relatively stable during the last two recessions. Current NEA funding, however, still falls short of its 1992 peak.

Although the long-term growth in total public funding is a notable achievement in a competitive fiscal environment, government arts funding at all three levels has been challenged to keep pace with the costs of living and doing business. When adjusted for inflation, funding at the state and local levels fall far short of the peaks reached in 2001, and federal funding is less than half the appropriation amount of twenty-five years ago.

analysts also express long-term concerns about tax structures and the inexorable escalation of health care, retirement, and education costs. Combined, these trends suggest that all discretionary public spending — arts or otherwise — will remain squeezed in the years ahead.

In this environment, public sector grantmakers and cultural advocates are emphasizing how the arts contribute to economic and community resiliency and add value to other economic recovery policy strategies. Public arts leaders are also promoting the economic, educational, and civic return on the investment in the arts of taxpayers' dollars, emphasizing how public funding, earned income, and philanthropic support all are required to sustain vibrant and prosperous communities.

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Fear and Anxiety, or Resilience and Creativity

Artist Trust's *Artists and the Economy* Survey

Claudia Bach

How are artists weathering the economic downturn? Artist Trust wanted to take the pulse of the Washington State artist community and to consider what programmatic solutions Artist Trust and others might offer. Between March 15 and April 15, 2009 nearly 700 artists responded to an online survey. The survey was not designed to collect data for quantitative analysis; rather, it was conducted as a way to gain an informal snapshot of artists' personal situations. Response came so quickly and in such large numbers that a more extensive look at the resulting data was deemed valuable. AdvisArts Consulting was asked to review the survey responses and identify broad trends based on a synthesis of the mostly narrative responses.

Artists are clearly feeling the negative effects of the unsteady economy. The immediacy of the response to Artist Trust's invitation to complete an informal online survey indicates artists' interest in sharing the impact of this recession on their professional and personal lives. This was underscored by an extensive article in *The New York Times* based on responses to an online inquiry a month later.¹

Many artists are well-versed in surviving economic hardship and are persevering creatively while others are encountering challenges that threaten to topple a delicate balancing act. As one might imagine, the overall picture that emerges is one of decreased or limited economic opportunity. Some artists report little or no change in their situation and a few are finding new opportunities. Most respondents, however, are finding their economic and creative flexibility tested.²

Narrative survey answers provide a picture of two interrelated themes in the kinds of change that artists attribute to the economic downturn:

- **Fewer external economic options.** Changes in the economy have constricted artists' options outside the studio. This includes a reduction in the number of sales venues and other opportunities; galleries have closed, exhibitions or performances have been canceled or delayed, and publishers have reduced operations or shut down completely. Teaching opportunities are also reported to be decreasing as enrollment drops for many classes or workshops.

Many also note the loss, reduced scope, uncertainty, or unavailability of "day jobs."

- **Shifts in personal outlook — sometimes negative, sometimes positive.** The external conditions that affect artists' economic options are also reported to be changing their outlook or behavior. Some artists note that priorities for their time have shifted, often at the expense of time for art making. Others mention a shifting balance in household roles and tensions. A recurrent, though not consistent,

refrain is of the emotional toll that external conditions take in terms of decreased motivation and increased depression and anxiety — with a resulting

reduction in artistic output. On the other hand, some artists see the current economic downturn as liberating. For them, the decrease in earning potential offers an opportunity to focus and deepen creative endeavors without expectations of external reward.

Changes in artists' work and lives

Beyond the larger themes found in artists' responses to the recession (changes in external conditions and in personal outlook), common threads run through the more specific changes that they report in their work and lives. These changes can be grouped loosely into four, often overlapping clusters.

1. Changes in art marketing, promotion, and funding

Artists are making changes in the way they market, promote, and fund their work. They are:

Increasing the use of internet and online services. Artists indicate a proactive response to marketplace changes especially regarding the internet. Web pages or sites, online sales venues and social networking are seen as critical avenues that artists have the capacity and ability to access.

Making more funding requests. The number and types of applications artists are submitting is increasing — for grants, public commissions, artists' residencies, and other competitive processes offering money and/or time. This is likely to result in increased competition at a time when the number of such opportunities may be declining.

Lowering prices and fees. Frequent mention is made of lowering prices for artwork and reducing fees for performing or teaching, and in general being more flexible in pricing.

Some respondents note that this is ineffective, while others find that it has been helpful or even essential.

Networking and collaborating more. Many artists are being more intentional and active in using existing networks and building new opportunities. They are connecting directly with past and possible new revenue sources, and are staying connected to personal and professional circles.

Considering new venues and professional relationships. Artists report that they are considering alternative commercial and business sites, developing self-generated presentation modes, and reexamining their licensing agreements and other contractual relationships. Of special interest are venues or situations that permit selling directly to customers rather than through intermediaries to offset reduced earnings from other sources.

2. Changes in the artwork or art practice

Artists are adapting what they produce and the way they work. They are:

Working smaller. A frequent response to shrinking sales for visual artists is to produce smaller-scale works to justify lower prices. The sales success of this approach, however, is reported to be mixed. Writers and performers also describe creating shorter pieces with the hope of increasing the number of purchases and presentation opportunities.

Using less expensive materials or processes. More than a third of respondents indicate that the cost of supplies is a bigger obstacle now than in the past due to the economy. Alternative materials, supplies, and media are being explored if these can help lower costs. This includes recycling and reusing materials or creating multiples and production work.

Creating new events or formats. Some artists are creating new works or events that reflect current events and circumstances through topical content. More often, however, developing a new format or working in a different setting reflects an effort to produce work at a lower cost.

Shifting toward functional art forms. If they work in a medium that allows it, artists tell of focusing more on the functional side of their work in the belief that this may be more responsive to an environment of reduced consumer spending.

Being more willing to teach. Many artists report increasing their teaching efforts, especially short-term or low-cost formats. Many artists who had stopped teaching are re-considering this as a potential source of income, and artists

who have not previously taught are exploring the possibility. At the same time, other respondents note a decrease in teaching opportunities. These two trends suggest increased competition for fewer slots that may prove frustrating on both fronts.

3. Changes in living and working conditions

Artists are also making changes to their living and working conditions or are adapting to changes resulting from the recession. These changes include:

Reducing expenses. Discretionary income is scarce and some artists report reducing basic expenses including housing, studio, or rehearsal space, food costs, health care costs, and health insurance. Living expenses are often balanced against the cost of art supplies.

“Accepting that my current work will not be monetarily rewarding has been liberating.”

“More tight jaws, but also determination.”

“A lot of depression and fear.”

“I am being more resourceful.”

— Artists

Struggling with a decline in available non-art jobs. Artists, like workers overall, are experiencing difficulty finding employment; they are losing “day jobs,” having hours cut, working harder in the hope of retaining their jobs, and finding it difficult to locate new job opportunities. Teaching jobs are less secure or being eliminated. Some artists are adding hours or taking new or additional non-art jobs (when they can find them) to make up for a decrease in art-related income or to compensate for jobs lost by spouses or partners.

Relying on others. A number of artists note that their income has always been modest, but that the current situation is more dire than it has been in the past. In some cases this endangers a delicate economic balance built over the years with spouses or partners and makes it harder for the artists to justify their art career. For others, there has been a rallying of shared resources and a sense of increased support by others of their lives as artists. The survey also reveals an increased reliance on safety net resources from unemployment insurance to food banks.

Reducing the time spent on art. The need to generate income has frequently pushed artists to reduce the time allocated to their art, which often causes frustration. While some despair, others have found creative new ways to carve out time. A few report that having less time for their art has increased the productivity of the time they do spend.

4. Changes in attitude and sense of community

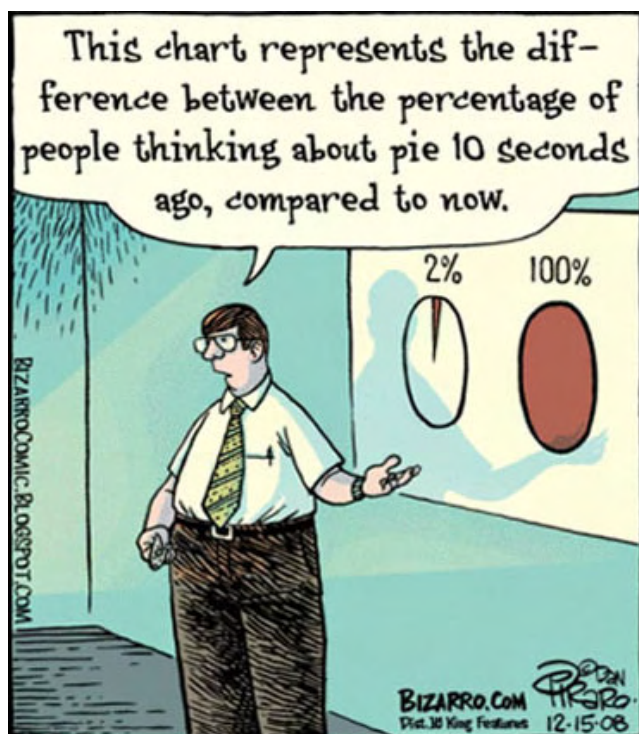
States of mind. In terms of attitude and artists’ states of mind, current economic conditions are not affecting all artists in the same way. Of the choices offered to a question about personal challenges faced as a result of the recession,

“morale” received by far the most responses with more than half the respondents making this choice. Some attribute increased stress, anxiety, and even depression to the economy. Artists with debt or health problems appear to be experiencing the greatest stress.

At the same time, many other artists report navigating today’s economic environment in more positive ways. For some, the economic situation is a challenge to cultivate a more “fearless” attitude and to focus on creating and improving their art beyond the pressures of the market. For these artists, this is a time to develop and hone artistic skills and ideas, and to re-dedicate themselves to their art with greater focus.

The value of communities. A sense of community is highly valued, whether defined as a geographic neighborhood, a community of shared beliefs or interests, the art community at some level, or a close-knit group of friends, family, or fellow artists. Some artists believe the weak economy is building stronger bonds and bridges among people; they are spurring action on behalf of fellow artists and others through new efforts to share information, resources, and ideas. Some are helping other artists market their work and some are increasing their volunteering or they’re lobbying and advocating for artists, the arts, or political causes.

A recurrent refrain is of the emotional toll that external conditions take. Others see the current economic downturn as a liberating opportunity to focus and deepen creative endeavors without expectations of external reward.



What would help?

Artists were asked what resources would be helpful during this tough economy. Nearly two thirds indicated that small grants were the most important resource. This was followed by about a third who identified business counseling. Loans were not seen as being particularly helpful, with only 10 percent indicating an interest in them. The interest in small grants aligns with past Artist Trust studies that indicate that even modest amounts of funding for artists can serve to sustain and encourage artistic commitment and output,

they are a source of both financial and moral support.

Survey responses suggest other things that would be helpful specifically to artists: mechanisms for providing low-cost access to supplies,

for sharing among artists, for finding affordable studio and rehearsal space, and for boosting morale. All of these relatively small steps can bolster artists’ ability to weather the economic downturn.

Conclusion

Artists are feeling the impact of the economic downturn in their professional and personal lives. Their responses to Artist Trust’s survey express fear, anxiety, and hardship. But they also reveal great resilience and creativity. The survey suggests that many artists take strength from fellow artists and from the shared resources within the community of artists. The survey also suggests ways that small efforts now can help ensure a strong and vibrant artistic community to sustain us both in the present and in the future.

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Founded in 1987, Artist Trust is a not-for-profit organization whose sole mission is to support and encourage individual artists working in all disciplines throughout Washington state. A longer version of this report is posted on Artist Trust’s website <www.artisttrust.org>.

Notes

1. Robin Pogrebin, “Tight Times Loosen Creativity,” *The New York Times*, May 20, 2009.
2. More than two-thirds of the survey respondents (68 percent) identified their primary artistic discipline as visual art. This percentage is higher than the proportion of visual artist to artists in all arts disciplines in the population as a whole as indicated in other research, both in Washington state and nationally. *The Washington Artists Health Insurance Project 2005 Survey Report on Artists and Arts Workers*, conducted by the Social and Economic Sciences Research Center at Washington State University, found that 57 percent of Washington state artists were visual artists. Data compiled at that time by the NEA reported visual artists as 38 percent of all artists in the United States.



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