WEALTH AND THE CULTURAL COMMUNITY:
How Steady Will Philanthropic Support be in the Future Economy?

Moderator:
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Panelists:
Alberta Arthurs, senior associate, MEM Associates
Nina Kressner Cobb, independent consultant
Karen Brooks Hopkins, president, Brooklyn Academy of Music
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Steuer: We have a daunting task on this panel because we've had a wonderful morning of presentations, so we have a lot to live up to. But also, all the panels this morning were really focused on public support of the arts—which, from what you heard, is a relatively small segment of support for most arts groups, and perhaps a shrinking one.

We here are going to be talking about private sector support for the arts: foundation support, corporate support and individual support. Some of these things have been touched upon earlier, but they haven't been discussed in depth.

Earlier, someone talked about not enough emphasis being placed on the value of the arts, and their bringing us into a sense of feeling like part of a larger society, especially in these times. Some of you may know the book, "Bowling Alone." And [author Robert Putnam] published an article called "Bowling Together," which talked about the impact of Sept. 11 on people's need for one another and their need to feel part of a community right now. He really documented this. One of the things he concluded was that there was this wonderful moment in time when all of us would want to come together, and if we don't capitalize on it and reinforce it, it'll disappear. It was clear from the research that this is a very fragile feeling right now. And if nurtured, if fertilized, it will grow. But if we don't do this, we'll fail in this unique opportunity that may not be present again for who knows how many years.

For all of us who are in the business of bringing people together—and that's what the arts are about—it was very much a motivating call to action. And it's also what's behind the campaign Ginny [Louloudes] mentioned briefly, Arts for Hope. Ginny also talked about the fact that perhaps it's better to be in the nonprofit arts these days than to be in the corporate sector. It's certainly something that we've seen in our work with the businessmen that are at our board level over the past year or so. Pre-Sept. 11, we were already feeling the effect of the recession. We've had several board members who have lost their jobs. And we see it through the Business Volunteers for the Arts program: many of the businesspeople we work with are now coming to us with an interest in volunteerism, because they've lost their jobs.

So it's a double-edged sword. They're feeling an enhanced desire to volunteer, they want to help, they're feeling that personal need. But on the flip side, many of them are losing their jobs, which doesn't bode well for things like individual support. Even people who haven't lost their jobs are feeling uncomfortable right now.

What's not being talked about here at all is earned income, and you've heard some statistics: you're talking about roughly 50 percent of the income pool. Some of the comments about earned income imply that there's too much emphasis on it, or that it's about merchandising, that it's about selling out. And I do want to say—I'd be remiss if I didn't, since we run the American Express National Arts Marketing Project—that marketing can be about learning how to use sophisticated marketing skills in a way that does not undercut the art, in a way that does not sell out. The two things are not mutually exclusive, and we can work on building that 50 percent so that it's a larger percentage, so that we don't have to undercut the commitment that we all have to the art itself.

Cobb: I will briefly outline the national perspective on private sector funding of the arts.

The subtitle of our panel asks the question, "How steady will the philanthropic sector be in the future economy?" Today, more than ever before, we should be aware of the perils of prognostication. My presentation is based on information from standard published sources that were prepared before Sept. 11. As a result, they reflect neither the impact of that catastrophe nor the prolonged economic downswing, which I'll call a "recession."

So what can I tell you with certainty, given imperfect tools and a heightened sense of infallibility? Here are two axioms. First, the private sector has been and continues to be critical to the growth of the arts in the United States. This is especially true when earned income decreases. Second, strong private sector giving is dependent on a vibrant economy. Or to paraphrase a great American, "It's the economy, stupid."

In my brief overview, I'll summarize key national trends that are presented in my discussion paper. Let's take a look at the most recent data on private sector giving for 2000. In that year, overall private sector giving reached $203.5 billion—and I'm going to try not to mangle these numbers. Of that amount, $11.5 billion went to arts and culture. This means that arts and culture garnered 5.7 percent of overall private sector giving. However, since 1999, overall private sector giving has been slowing down. The annual growth rate declined from 11 percent in 1999 to 6.6 percent in 2000. As we all know, the last half of the '90s were boom years for private sector giving. Overall national private sector giving had been growing at a rate of 11 percent annually from 1995 to 1999.

Signs of further decline since Sept. 11 have been picked up in many surveys: one survey conducted by the independent sector, and the other conducted by the Business Committee for the Arts.

In a late-October survey of independent givers, 25 percent of respondents said that they would not be able to contribute because of the weak economy. Another 25 percent said they'd have to lower their contributions. In a phone survey at about the same time, the BCA found that corporate giving to the arts would be flat in 2002. And this is lower than what the projected giving rate, an increase of 3 percent, had been.

When we look at trends in private giving to arts and culture nationwide, we see that the rate of growth for giving to arts and culture has lagged behind all other subsectors over the past decade. Overall private sector giving for the decade rose sharply, 7.3 percent annually, while private sector giving to the arts rose by only 3.9 percent. As a result, arts and culture's share of private sector giving has fallen from 7.9 percent in 1990 to 5.7 percent in the year 2000. Despite the slow growth rate in giving to arts and culture, the private sector has helped fill the gap created by the loss of government revenue, because the overall growth rate has been so high. But—as must be obvious in a period of economic downswing—as growth rates continue to decline, the arts are extremely vulnerable.

An analysis of recent trends within each subsector of givers has disturbing implications for the arts. Though evidence is slim, it appears that individual givers have provided arts and culture with increased support over the past decade. However, the growth rate for individual giving has been on the decline since 1998, when it hit 11.2 percent. In 2000, it fell to 4.6 percent. With the continued decline of individual giving, the arts will be hard-hit. Corporate giving to the arts has been solid, but this sector is always extremely sensitive to the economy, and there will certainly be a decline in that area.

Finally, let's look at foundations. At the decade's end, foundations were the most robust sector of private giving. Foundation giving overall has gone from $10.6 billion in 1995 to $24.5 billion in 2000, an increase of 130 percent. However, arts and culture has not shared proportionately in this growth. In addition, foundation assets are declining as the economy continues to falter.

So what does this all add up to? It's likely that arts and culture will be harder hit than other beneficiary groups simply because arts and culture funding has not increased in proportion to overall giving. But it's not inevitable. Over the last decade, private sector funding to the arts was counter-cyclical. In addition, some funders—the Mellon Foundation, the Ford Foundation, the Rockefeller Brothers Fund, the Doris Duke Foundation and the Rockefeller Foundation—have been quick to recognize the vulnerability of the arts, and have acted accordingly. The arts and culture community needs to be more proactive in explaining to donors—as well as to the public sector, as we discussed this morning—its importance to society. This is especially true with venture philanthropy, which Alberta Arthurs will be talking about next. For those of us who care about arts and culture, there is hard work ahead.

Arthurs: Nina's given us a pretty rich and a pretty poor picture of what's out there. A lot to know, and a lot to worry about.

I'm going to take this in a similar direction, as I talk about what we have grown to call the "new philanthropy": sometimes called, in the publications that have covered it, "venture philanthropy," "affective philanthropy," "hands-on philanthropy," with references to PRIs [program-related investments] and to social investment strategies and to new money and what's happening to it. There's an understandable curiosity about all of this, and we've read a lot about it and heard a lot about it. But for us, I think the issue is clear: We need to look at these new philanthropic modes and models in relation to our own areas of interest. We have not asked sufficiently how the new philanthropy affects the arts, and that's a question that a new study that Nina and I worked on together, supported by the Irvine Foundation, examines.

Culture in this country has always been dependent on philanthropy: on the support of private and corporate funds, as Nina has pointed out, and especially on the commitment of individual donors. If, in fact, we are seeing shifts in philanthropic sources, in philanthropic thought, we've got to be interested. And it's precisely that which is being studied in the Irvine work. We're focused quite specifically on new national trends in funding, on the new philanthropy as it affects the arts. And what we've learned is mostly bad news.

Nina mentioned that the foundation community has grown exponentially in the last decades. In philanthropy itself, there has been tremendous growth. In 1994, there were 35,000 foundations nationwide. In 1997, there were 44,000. And it has been estimated that new family foundations are being created at a rate of about 1,000 per year in this country. There are greater numbers of mega-wealthy Americans than ever before, and they are creating more organized giving vehicles than we have ever seen before.

The important factor for us, though, is how these phenomenal figures play out for the arts and humanities, because we've seen that though dollars to the arts from foundations and other sources are up overall, the percentage to the arts of the rapidly growing pool of private funds is down, even from the traditional foundations. If we turn to look at the "new" foundations, the new philanthropy, what do we see?

The Irvine study attempts specifically to locate the place of our sector in this "philanthropy revolution," as it has been called. There are, of course, basic questions about that movement itself, about the nature of that revolution. How deep are these changes? How lasting are they? How new are the "new philanthropies," really? How is Sept. 11 affecting philanthropy? How deep is the recession? How is that going to affect it? How many mega-millionaires are there now, compared to a few months ago?

These are all very real questions, and some of them are dealt with in the Irvine study. But for the purposes of the arts, I would submit, the issues we have to face are simple. Sensible or not, lasting or not, successful or not: these are philanthropic *experiments*, new visions, new ways of looking at things are in place, and we *do* need to know how they relate to us.

Here are some examples of what our work finds.

There is astounding growth and considerable change in some community foundations. But interviews with the fastest-growing community foundations indicate that their new funds and new ideas do not feature the arts and culture. There is increasing focus, as they grow, on health, human services and the environment. One of the major models in the new philanthropy models is "giving circles." Wealthy individuals come together, pool their philanthropic dollars, make decisions and monitor results together. Several such circles are modeled on Seattle's Social Venture Partners Fund, with its emphasis on education and youth. The study finds that giving-circle dollars can be expected to go to education and to youth, and to social change defined in that way.

A third area of philanthropic growth is new foundations. Here, again, culture is not a priority. The head of Social Entrepreneurs Alliance for Change, a new philanthropic organization, has said that he himself—in a year of interviewing new philanthropists—did not find one who is interested in working with arts and cultural organizations. The head of another new funder, New Profit Inc., which is collecting millions of dollars to make capacity-building grants, sug-

There is astounding growth and considerable change in some community foundations. But interviews with the fastest-growing community foundations indicate that their new funds and new ideas do not feature the arts and culture. –Alberta Arthurs gested that the organization might fund cultural organizations, *if* their agenda was social change.

Another new trend is e-philanthropy. An Irvine researcher has examined, site by site, the 130 e-philanthropy sites identified in a Kellogg Foundation study of a couple of years ago. Arts and culture are simply not featured on these sites. There are no e-philanthropy sites dedicated to culture, although there are sites dedicated to, for example, education and the environment.

Another area of change is the relationship between for-profit and not-for-profit entities. An increasing number of foundations, especially the large ones, are making program-related investments. They are creating innovation funds and incubators for new business ideas. They are making socially responsible investments. They are experimenting in a variety of ways. So far, studies of such innovations and experiments at foundations show little of this support flowing to arts enterprises.

The Foundation Center's latest PRI directory reports that PRIs for community development are up. PRIs for education are up dramatically. PRI financing of health is growing. At 9.8 percent, our sector is steady. And the only reason we achieve 9.8 percent of the amount of money that goes into PRIs is that arts, media and historic preservation are lumped together as one category. I think if we broke that up, we'd find very bad news indeed.

Businesses, especially small businesses in the new economy, are diverting profits to good causes, as we know, tying philanthropy to their business goals: the Ben & Jerry's model, or the Paul Newman model, which is spreading widely through this society. The arts and culture do not figure prominently in the priorities of these companies and their ventures.

And—and this is one I think we have not looked at at all, not even, as yet, in the Irvine study—big investment companies are creating charitable gift funds for their customers. Between 1998 and 2000, Fidelity accumulated $4 billion in these funds to become the *fifth largest* public charity in the United States. 26,000 individuals were involved, giving to 55,000 charities through this type of "giving account," as its young president calls it. Fifteen financial-services organizations are now in this business as well. Largely, according to the same young president of Fidelity, this is "issue-driven giving." The arts do not appear to figure prominently in the money that passes through these funds, at least the Fidelity fund, and we do not have avenues to these funds. I would submit that we barely know they exist and that we haven't thought about them, but that's where the money is going.

There are other examples, but perhaps these are enough. Entrepreneurial opportunities in giving are growing, but they are not yet opening wide to cultural enterprises and cultural products. One investment banker in the Irvine study observes—summing it up rather neatly, I think—that "there is as yet little *deal-flow* in the arts." We are simply not interacting with the investors, or the new philanthropists who are surrounding us.

Is there good news? I actually think there is. We can talk about—and should talk about, probably—all of the impact of Sept. 11 and all that has followed on the figures that we have accumulated. But even if there is, as I submit, a radical change in the ways in which philanthropy is being configured in this society today, I also think that we are beginning to situate ourselves as a sector in this new environment. I believe that we are thinking harder about ourselves as a major sector in American life: major in the economy and urban development, in education and in the making of healthy and diverse communities. We're beginning to accumulate the kind of research, findings and data, the knowledge about ourselves and what we achieve, that we can offer to the world of funders and the new philanthropists. And frankly, I think that's what we have to do. It's very important that we're learning to work together to speak to the importance of our work, to gain attention from the media, to come together for gatherings like this. It should be possible to take what we learn and press the case with venture philanthropists, with investors, with new foundations, with for-profit entities. But we've got an enormous amount of work to do on our own behalf.

Mittenthal: I'd like to talk about three things relatively quickly. One is some general research on philanthropy in the economy. The second one is some findings from some work our firm did for a major corporate giver. Then, I'd like to talk a little bit about the future.

This is about the economy, and for those of you with relatively short time frames, you'll remember the last decade of growth and prosperity. I'd like to frame this presentation with quotes from three economists, the first being Herbert Stein. I don't think he was referring to the ’90s, but he could have been: “If something can’t last forever, it won’t.” The Indiana University Center conducted some research after Sept. 11 on trends in giving and came up with a few interesting things—and again, this is taking a slightly longer view than just the ’90s. [It was found that] through all disasters, crises, wars and recessions, the total amount of giving in the United States has increased every year but one in the last 40 years, though the rate of growth has varied from year to year.

While the giving has increased each year, there is, not surprisingly, a slower rate of growth during poor economic times. Giving grew by an average rate of 7.6 percent in that 40-year period from ’59 to ’99. But during recessions, giving increased only by 5 percent a year. If you adjust for inflation during the whole 40-year period, giving increased by 3 percent a year, but during recessions, it actually fell almost 1 percent. Clearly, the Indiana Center found, a recession has much greater influence on changes in giving than does a crisis. The Center looked at what happened to the economy and to giving in the years surrounding 18 major U.S. events, including acts of terrorism, war, political crisis, economic turmoil and natural disasters. The Center found that in general, in years with a crisis and no recession, giving continues to grow or hold its own in both the year of the crisis and the next year. In contrast, when there is a crisis *and* a recession, growth in giving is more than twice as likely to decrease. Education, human services and health have been the subsectors most clearly affected in years in which both a recession and a crisis have occured. And as for arts, culture and the humanities, giving in years with both a recession and a crisis was mixed. During, and immediately following, a recession, giving slowed, but it picked up in the years following that.

We did a report in January for a major corporate client. It consisted of interviews with heads of 53 major cultural organizations around the country. Everybody knows what’s happened to organizations in New York, but there are a few findings you might find of interest.

Arts organizations in other cities dependent on tourism have faced reduced government funding, as many cities base their government funding on actual tourism revenue and similar things. So there has been a severe impact in those cities.

Second of all, as we’ve all talked about, [there has been] the pullback in corporate funding. Sponsorships have been a major issue here. Many arts organizations reported losses of corporate grants from long-time supporters. Karen’s going to talk about this in detail.

Many people in this phone survey mentioned the airline industry’s discontinuance of free tickets and vouchers for artists, and of sponsorships of touring companies, as something that’s showed up in the last six months, particularly as a result of the problems in the airline industry. Three-fourths of the states have budget deficits, and states’ arts budgets are being cut drastically. Again, the cities and states dependent on tourism have been hardest-hit. Finally, there has been a significant impact on cultural institutions that depend on major international audiences: again, a result of the drop in tourism.

In talking about the future, I’d like to refer to John Kenneth Galbraith, who said, “If you’re going to make predictions, make a lot of them.” The following observations are made on the assumption that we will not be faced with terrorism and other crises for very long. If other incidents occur, or if there is something more serious—obviously, these predictions should be taken out of the transcript.

The key factor in support for the arts and others, I believe, is the economy. Corporate contributions depend on the health of the economy, foundation grants depend on the health of the economy, and individual contributions depend on the health of the economy. People forget that foundation grants are a function of their portfolio returns, and their portfolios have been hammered in the last year and a half, two years.

So, for the next two to four years, what I call the “short term,” what do I think?

The “foundation effect”—what I refer to as the expectation of a short- and medium-term reduction in foundation support, due to the reduced value of portfolios—is likely to happen for the next three to four years, and it hasn’t really happened yet for many foundations that work on a three-year rolling average. So, you’re going to begin to see drop-offs in foundation grant amounts beginning in 2003 and 2004.

Second, for arts organizations that have endowments themselves, their returns are lower, and they’ve been hurt.

Third, I think there will be less revenue earned, and reductions in donations. The donation reduction in the corporate sector is a particular vulnerability of many. If you look at the major corporate givers of the last five years, I think you would see a lot of names of companies that are in trouble. We joke about Enron, but they were a major giver in Houston, and the economy of Houston—not only the arts institutions, but the nonprofit economy, the baseball stadium—was dependent on Enron.

It's hard for me to construct an optimistic scenario for the next few years. For the longer term—and remembering that John Maynard Keynes, another economist, said, "In the longer run, we'll all be dead"—I think we can assume that the economy will continue to grow, contributions from all sectors will continue the upward trend that we all saw in the last decade, cultural institutions and organizations will recover and again be healthy. Unfortunately, I cannot tell you when that upward trend will occur.

Steuer: I'm going to focus—given that I run the Arts & Business Council—on business support for the arts, some of which Richard touched on as well. I'm going to start with some anecdotal observations. We haven't conducted a post–Sept. 11 survey, but I'm going to start with where we see things now, in terms of business support for the arts.

There's been some concern on the part of arts groups that their support has been cut as a result of the relief funding. For the most part, judging from my conversations with corporate funders, that has not been the case. Their relief funding is really coming out of a separate pot than their other philanthropic activity. And I'm not saying that's true in all cases, but in most cases, they've been trying to keep their philanthropic budget separate from their immediate desire to help in the relief effort. Also, I think most companies were trying very, very hard—since they run on a calendar-year basis—to keep their commitments through 2001. So if there were groups that they would normally give to toward the end of the year, they were trying very hard to honor those commitments, even if they weren't formal pledges.

However, 2002 is a new budget year. And corporations don't run on that type of rolling cycle. So the changes are really felt immediately. And reiterating what a few of the panelists have said, what the companies tell us is that the impact on giving is the result of the weak economy—if their business is lousy, then your business is going to go down. And that's the bottom line.

These are some slight positive notes. I think companies are doing all they can to sustain or even increase support for the groups they really care about. So to give some advice, this is the time to focus on those companies that you have very strong relationships with. I think companies are looking to say, "OK, who do we really care about? Let's make sure, in these difficult times, that we stand behind them."

The flip side to that is that these are very challenging times to build a relationship with a new company. It's always difficult to get on the roster, but this year, and perhaps the year following, if the economy *does* recover, it's going to be even more difficult [to secure new corporate support for the arts] than ever—let alone to try to make an arts convert from a company that doesn't care about the arts at all. That's the biggest challenge. And those of us that grapple with marketing, it's similar to the challenge of converting a non-attender to an attender. Most of you in the world of marketing, who are trying to sell tickets—that's a part of the community you don't even deal with. That's the job of those of us in service organizations who have to try to think of those big-picture issues.

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–Gary Steuer

I don't think that the arts are going to lose ground relative to other giving in the corporate world as a result of the weak economy. Again, companies that care about the arts will still care about the arts, and companies that don't care about the arts, won't. But I don't think it will be an opportunity for companies to say, "Well, let's trim our arts support as a result of the weak economy." I think our percentage is likely to stay the same.

I think the trend toward strategic philanthropy will accelerate. And that's something that was pre-9/11. I think strategic philanthropy is still very much out there, and I think companies will be looking more closely than ever before at how support for the arts—how support for your individual organization—fits with their strategic business goals. And if you're not a good match for their strategic business goals, you're not going to be supported. They're increasingly under pressure from senior managers, from shareholders, to justify that what they're doing through philanthropy is making a difference to the bottom line in some way, shape or form.

I think, as I said earlier, that volunteerism is on the rise. So this is a good time to try to recruit new board members, to try to get people involved on a volunteer basis in the arts. One thing that's been documented in the corporate world is that people are searching for meaning.

Even if they haven't lost their jobs, they're thinking, "What difference am I making in the world?" They've been inspired to try and make a difference in the world, and we have to make sure that one of the ways they can make a difference is by helping the arts. That it's not just about tutoring a kid, or ladling in a soup kitchen—all those things are great, but we have to make sure that arts volunteerism is given the same place, and that they get the same satisfaction out of it.

I think community-based organizations may find that they have, frankly, a better chance with similar neighborhood-based businesses. It may be a time to focus locally. If big businesses are in trouble, you may find that if you are a local business, then you should be focused on your local corporations.

I also think in-kind support is going to increase. I'll talk later about some of the statistics, but in-kind support is on the rise. In challenging times, companies will find that it's cheaper to give products or services than to give cash. So in-kind support will be an easier nut to crack, especially if you're going after a new company.

There was an article, I think, in the *Chronicle of Philanthropy*, maybe a year or two ago, about Chase's—at that time it was still Chase—dissatisfaction that Microsoft was now listed as the number-one corporate giver, because Microsoft was giving almost entirely product, and they were valuing [their contributions] at retail value, even though that's not what they were writing it off as. When they reported to these philanthropic studies what their giving was, they were reporting the face value, the retail value, of all the software they were donating. Whereas Chase was giving cash. And they were saying, "Hey! We're listed all the way down here, when in fact, we're the largest cash giver in the country!" I think that's a trend that will continue.

I think mergers and downsizing will continue to affect us. That's not something that's going to go away; if anything, it will accelerate. Companies that have become weak, as a result of the weakened economy, will be taken over. And we're going to have a continued consolidation in the business world. The challenge with downsizing is that fundraising is about building relationships, and I think many of you have built relationships with people who are no longer there. That's something that I don't think is going to go away. What we always recommend is to make sure you make friends with as many people as possible in every company you deal with, because you never know who's going to be there next year. And that's, again, a trend that is not going to go away.

I'm going to cite five some statistics from the International Events Group, a Chicago-based group that studies sponsorship. I want to emphasize: a lot of this talk about corporate philanthropy is focusing on corporate giving, but sponsorship is a huge and increasing part of how companies support the arts. And it doesn't get captured in all of these studies. Total sponsorship spending in North America has grown from $1 billion in 1986 to $9.5 billion in 2001. The arts get 6 percent of total sponsorship dollars, compared to 67 percent for sports. That percentage has been relatively unchanged for about 10 years, so we're probably not likely to change the piece of the pie that we get. We began at 2 percent, when they first started gathering these numbers, and we worked our way up to 6 percent 10 years ago, and we're now stuck there. It's important to note, 26 percent of sponsorship is all in-kind. Only 44 percent is all cash, and 30 percent is actually a mix of cash and in-kind. This is another piece of information that should encourage you to be focusing on in-kind.

I'd like to give you a few other findings from the BCA study. One is that their study tries to capture giving by all businesses—including small businesses. A lot of the other studies out there don't capture the giving of small business, the $1,000 donations, the buying of a program ad. And the vast majority of the giving that they studied comes from businesses with under $50 million in revenue, which by corporate standards is a relatively small business. And many of us that do corporate fundraising aren't really focusing on any of those businesses, so that's something to think about.

Thirty-four percent of businesses that support the arts report it through the marketing budget, 32 percent through advertising, 24 percent through PR. And those percentages have doubled since the previous study in 1997. So increasingly, companies are supporting things through other parts of the corporate budget. The percent of support for the arts through philanthropy [budgets] has actually declined.

I'm just going to give you a few quick pieces of information from a survey we conducted last summer. I think it was very interesting, because it was trying to gather BCA-type statistics, but specifically from New York, to see how things contrasted. And we were really only surveying companies that do support the arts in a big way. Among the companies outside New York City, the percent of their total giving to the arts went from 28 percent in 2000 to 33 percent in 2001. In New York City, it went from 20 percent in 2000 to 19 percent in '01. So our percentage [in the city] is lower, and in fact it dropped rather than increasing. Why? I can only conjecture.

So, drawing on some of our discussions today, I think the arts are taken for granted to a certain extent in New York. I think New York City companies are much more likely to be global businesses, who are continually under pressure for their philanthropy to be global as well, and so arts giving, by necessity, is a smaller percentage of the total giving. But it is ironic that this city that has been talked about—rightfully so—as the world's cultural capital, actually gets a smaller percentage of corporate giving from the major corporate givers in New York.

We asked what factors influenced philanthropic decision-making. New York City companies rated "limited resources" much higher than the national average: they said they would give more to the arts if they had more money. Also, the interest of the CEO is less of a factor in New York. In New York, you have many very large companies that have more of a process, so it tends to be less influenced by a CEO's personal likes and dislikes than in companies outside of New York, where we found that CEO influence was much stronger.

Also, New York City companies are more likely to rate "assessment" as very important than companies outside of New York. Again, I think that's the influence of the huge companies that we have based here in New York. This is a huge corporate trend linked to strategic philanthropy. Companies increasingly want to know—and it's also linked to venture philanthropy—that what they're giving to you is making a difference. So you're under increasing pressure to be able to assess the impact of the money that you've gotten and be able to demonstrate to the company that it really has made a difference. And this is something that is much more important in New York than outside New York.

Hopkins: I'm going to go quickly, talking about the building blocks of the [Brooklyn Academy of Music development] campaign, in terms of this particular climate.

As a working and practicing fundraiser, I just want to say that when you ask the question of "who pays for the arts?" I would just say that now, mostly, the answer is "no one." Unfortunately, things have changed rather quickly and we're dealing with a difficult situation, as you've heard.

I just want to throw out a few ways to think about the fundraising situation, and ways to manage an institution in this particular climate as a whole.

First, I think that board development, and working with the board, is more important than it's ever been. When times are tough, you've got to keep your family close. Many organizations that I know, especially small organizations, have not put the time into board development, and it's really hurting them at this stage of the game. Pulling the family together, circling the wagons, is really going to pay off at this particular time.

Secondly, I think that individual fundraising and prospect research is absolutely key. Who's in your audience? Are they having a good time? Are they interested in what you're doing? Are you following up?

My friend Jane Gullong, the development director at the New York City Opera, recently told me—and I thought it was a great point—that at the City Opera, *every* person on the development staff now had individuals in their portfolio of "things that they had to do," as opposed to *just* corporations, *just* foundations. Everybody was now dealing with individuals and making that part of their task, so that the widest range of prospecting, research and follow-up could be done.

Next, I think that cost-cutting [is important], as well as not making stupid decisions—which is easy to say, but this is really a good time not to make stupid decisions. We have just been through a pretty massive cost-cutting exercise at BAM. The way I like to describe it is that I tried to do it with a razor rather than with a scissor, where we cut a little here, a little there, so that the overall institution would not look to the world as if it were suffering. But inside, we would be taking the pain across the board in order for the program to be strong, for the audience development to be strong, for things to look good, and to put on a good face while we were trying to cut back on the inside. So I think that the way cost-cutting is done, and how thoughtfully it's done, and making it a team exercise, is also critical at this stage in the game.

In terms of fundraising, I like a layered process. I think that this is the best way to maximize your effort. What I mean here is, we begin with the institution—the Brooklyn Academy of Music—and then we break it down, say, into fundraising initiatives: the Next Wave festival, BAM Opera, BAM Dance, and so forth. Then we break down the initiatives into each specific production. Then we break each specific production into paying for the opening-night party, or paying for the director's work. We keep taking the same thing and cutting it into different sections and trying to find out who funds those sections. Then, we'll put together all international programs, all opera house programs, all emerging artists, all American artists, so that the whole is cut into many different parts—and yet it's the same whole.

There's no point in arguing with funders about what they don't want to fund. The idea is to figure out what you have that they *do* want to fund, and then package it in a way so that they are willing to fund it. The object of raising money is *raising money*. There's nothing theoretical about it. You either do it, or you don't do it, and therein lies the success of any fundraising campaign. But I think the layering way is the way to go, and the way to make the campaign most interesting.

The other thing I would say—and this will sound like a harsh criticism, too—is that because of the recession and so on, the talent pool has increased. We can now get better people to work for us for less money. And since we never had that much to pay them to begin with, all of a sudden, people who weren't even interested in our sector before are now interested in it, so we are now able to draw from a wonderful pool of talent. I think the quality of resumés that have been rolling through has been extraordinary, so we might as well take advantage of this while we can.

And the last thing is—and I know this may not apply to many of the smaller organizations, but it's just a way to think—the way I like to build an endowment is, whenever a major gift comes our way, we try to put part of it into the operating campaign, and part of it into the endowment when we can, so that we're always building the future while we're building the present. The fact is, great institutions are built on great endowments. And having to start from Square One, with that unending fundraising for operating expenses, is very hard. An endowment gives you a base, an opportunity to have a place to start every year.

Now, I'm not saying you do this tomorrow. I mean, BAM was founded in 1859, and our first endowment campaign began in 1992. So it was taking the fundraising department a while to get it moving! I'm happy that that has happened, and now it is my goal, as president, to double or triple that endowment. Unfortunately, this recessionary time has slowed us down. But that would be the greatest goal of all, to leave a secure institution for my successor, so that that successor has the opportunities to take more risks.

So, I'll just close my remarks with a quote from Harvey, my mentor and predecessor. When you think about fundraising, he said: "Karen, in life, most things don't work out. But sometimes, they do." And that sums it up.

Great institutions are built on great endowments. And having to start from Square One, with that unending fundraising for operating expenses, is very hard.

–Karen Brooks Hopkins

AUDIENCE QUESTIONS

Cheryl Young, executive director, MacDowell Colony: About the new philanthropy and the corporate philanthropy: Is there any support for individual artists? There seems to be a trend away from support for the individual effort. I'm wondering how that ultimately will impact culture as a whole.

Arthurs: It's a real good question. Of course, we're well aware that this is an area of incredible sensitivity. Even the U.S. Congress has paid attention to this issue. I think there's a great opportunity for places like MacDowell to mount the argument for individual artist support, not just in terms of allowing months, or longer periods, for artists to spend at places like yours, but [in terms of demonstrating] the importance of that creative impulse and its fostering. But I think it is a hard time. We'll know a whole lot more when the study that Holly Sitford is managing for 30 foundations comes forward. So far, Holly says they're finding pretty much what we would expect, but they're going to be able to document it, offer us the evidence that we need, and I think it may make a difference.

I think we've got to be prepared for the change to come. If we don't spend this fallow and somewhat challenging time preparing for the reemergence of the venture capitalists and those who can be inspired to fund individual artists, and those who understand their needs in a creative and dynamic way, we're losing a bet. We've got to be ready.

Steuer: And in terms of corporate support, I would say [funding individual artists] is a tough sell in the corporate world. Institutions that help the individual artists have a chance in the corporate world, but direct support for individual artists is probably not there. It's a challenge in terms of support for challenging or difficult art.

We did a similar panel discussion a year or two ago, and raised the issue of support for challenging art. At the time, most of the companies on the panel were major companies, and they all said that you've got to realize that the reality is: We answer to our shareholders. We answer to senior executives who are skittish. And unless the company is *about* projecting a public image of being challenging or difficult—there are some companies, like Absolut as a brand, or Altoids, which has done a big project with the New Museum where they have supported somewhat challenging art—I think, as a general rule, the reality is that it's a problem.

Arthurs: Can I make one more comment on this? My observation is that sometimes, we're not working this right. If the arts institutions work together to create programs, it works better for foundations, and it works better for individual artists. In this climate especially, we tend to function institution by institution. We each hire our own fundraisers and our own funding staffs. That's admirable, but we've got to do much more combining and offering of programs.

There's one very talented fundraiser, an independent, who said to me recently, if a bunch of dance companies got together and asked for money to support new choreographers all over the country, in a way that [allows us] to foster their work, it would make a lot more impact than [it does with] each dance company looking for money for an artist here or there. I really believe that's true.

Hopkins: I completely agree with Alberta that these types of consortiums can be effective. The only problem is the amount of money. Sometimes, the funders will want 20 or 30 groups to come together and give them a project where everybody benefits. But part of the problem is, if there's not enough money in the project, by the time you've parceled it out to all the groups, the aggravation is too great. It's hard enough to pull everyone together and to get everything together. It's got to really be worth it, in terms of what each institution gets out it, in terms of their being able to fulfill their program.

So while I am a huge supporter of consortiums, and absolutely believe that they can be key to making impact and getting things done and helping a lot of different organizations, this has to be done with enough momentum and support so that you can really accomplish something, so that it's not just a drop in the bucket. We found at the NEA, particularly, that the amount of money you get, after you finished with these consortiums, was so small that it wasn't worth filling out the supplementary information forms.

Mittenthal: I just want to add that Creative Capital was a major initiative and a major success started by the Warhol Foundation a couple of years ago, that I think a lot of people have benefited from and collaborated with. We shouldn't let it go unmentioned.

Elizabeth Manus, freelance journalist, Dalkey Archive Press: And the strategy of collaboration, of combining, of coordinating—whatever you want to call it—probably works best right now for the smaller and mid-sized institutions. You big guys have done a lot of it, actually: you've done national commissioning, you've done a lot of stuff that the rest of us can't do. But it's time to hear from a lot of other organizations trying to implement this way of working.

I work for a very small publisher in the Midwest, a nonprofit. When you said, "Funding is available now more and more for cultural organizations that are dedicated to social change," how is social change, or "socially responsible," defined? Can you decode that at all? Does that mean something different for each person it's applied to? Did that used to be a different term, and now it's that term? What does that mean?

Arthurs: The way that term is defined by the people who are giving money away through these new models, is: education, the environment, housing, job training. Things like that. And I've been in the world of education, and a decade and a half ago, no private funder would fund public education. Look what's happened.

When I went to graduate school, I met a young woman who was studying German with me to get through those qualifying exams. She told me that she was an ecologist, and I said, "[and I'm not] the only one in the world?" Look what's happened!

My point is that today's social causes were yesterday's arts and cultural problems. We've got a job to do and we've got some lessons to learn. But these new guys, with their new money—and I think there still are a lot of them out there—think that what they're doing is changing the conditions in which people live. And they don't realize yet that they're part of that scene. I think they really believe that the arts are Beethoven at the symphony, and their grandfather did that. We've got work to do.

Susan Bloom, Susan Bloom International: Apropos of that, and the fact that there is more than enough to be funded, whether it is cutting-edge or controversial or not, I think our companies are definitely interested in the continuation of arts organizations in our community. One question we need to ask ourselves is: *Why* is the percentage of the funding we're getting going down? We all think that arts are the most important thing in world, or one of them—and in Europe after the War, one of the first things they did was rebuild their opera houses. Why are we not getting that question across? The economic message, the social responsibility message: we just aren't getting it across, and I think we need to do some serious soul-searching. I don't know if anybody on this panel has any answers.

Mittenthal: In my foundation days, many years ago, we used to do presentations for our board on each of the program areas. The person who was in charge of social services talked about the number of homeless in the street and the number of unemployed youth, and the people in education talked about the number of schools and the number of kids in each classroom. We had a very difficult time stacking the arts and culture program up, in terms of numbers. How many poets do we need? How many symphonies do we need? In a society where things get measured very often and where money is directed toward curing problems, the arts is not looked upon as a problem, in that sense. I think we've suffered from our success, in that way.

Arthurs: I think that's absolutely true. But for those of you, and I know there are many of you, who have said, "What's this cultural policy research movement all about anyway, and why is Pew giving so much money to it?": this is why. We can't tell our story very well, and we can't tell it without findings, without facts, without data. How do you think the transportation sector got so big? Everybody piles in and says, "we have to have roads, and this is how we know it, and this is how we do it." Everybody—truck drivers and airline presidents. The fact is that as a sector, we need to define ourselves nobly and largely, and we need to be able to talk about ourselves with real depth and intelligence. And that's really what I think the cultural policy movement is about.

Steuer: I would add, that's really what motivated the Arts & Business Council to create the Arts for Hope campaign, which is our large promotional campaign designed to put in the public eye the value of the arts in people's lives in our community and society, in a very visceral and persuasive way that goes beyond just the economic development argument and that really talks with passion about the value of the arts in our society and that really, frankly, draws on Sept. 11, in a sense that the case can be made that the arts and freedom of expression and creativity are part of what define us as a people. And in a sense, that's part of what was under attack—what *is* under attack. I think there's a real opportunity here, and that's what this campaign will hopefully achieve: the sort of strongly delivered public message about the value of the arts that we've talked about here earlier, about the fact that we really haven't done that yet in an effective way.

Hopkins: Just to be controversial: on the other side, I think there can be too much research and not enough art. These statistics are mind-numbing after a certain point, because there's such a glut of information on every subject—not just the arts—coming at us now because of the computer age. Ultimately, we may not simply be able to make the case as a sector, in comparison to hunger and homelessness and things like that, in terms of defending those kinds of percentages of dollars: in which case it then behooves us, as single-practitioner institutions, to make the case through our work and to knock 'em down donor by donor by donor. How do you eat an elephant? One bite at a time. That's the way that it goes. One board member at time, one dollar at a time, $100 at a time, and on and on until the institution and the work that you're doing is speaking with as much impact and as loud a voice as possible. I don't know that we'll ever as a sector have as much power as we need, but hopefully more funders will be attracted to our cause and get involved in it.

I thought it was really spectacular that the Carnegie Corporation just a few days ago announced $10 million worth of grants to the arts. I mean, I can count on one hand the amount of times that's happened over my career. It was so great. And I think that all of us should rise up and write them a letter telling them how much it means to our sector that we were recognized and supported. And then maybe, the next [foundation] will be inspired to do so.

Cobb: It's absolutely true, and no one can argue with that.

I just want to spread it across the sector a little bit more. We have to argue that we help society. And homelessness is not our enemy. It ought to be, in some foundational way, our ally. We certainly have to argue on the basis of work well done by wonderful institutions and wonderful individuals.

But when I was at the Rockefeller Foundation, my quarrel was not with what was happening in the streets and in the hospitals and in the schools: my quarrel with the Rockefeller Foundation was with big science, and getting people who were funding *big* science, *big* ideas, to understand that the arts and the humanities were as big as big science. It's another issue we have to take on. It goes right across the society, in every conceivable way, the ways in which we're needed, the ways in which we address issues, and the ways in which we make a difference. It can't be all science, or all hospitals, frankly, nor can it be just the efforts of those artists placed on our stages in hopes that they can move people. We really have to argue big, which is, again, why I would say we need to know a *lot*.

Nikki Fish, director of development, Museum of Jewish Heritage: If you have limited grant resources—in light of the conversation this morning, and *your* conversation—do you think we should focus more on trying to get government dollars and filling out those long applications? Or should we focus on looking for corporate money?

Hopkins: Go where you think the money is for you. Don't fool around with this, because you have a limited amount of time and a limited amount of money to spend on fundraising. This is a really important question. If you are in Santa Cruz, Calif., spending a lot of money looking for corporate donations doesn't make a lot of sense. You have to think about your institution. If you're in Minnesota, it probably makes a lot of sense. You have to think about where you are and what your strength is. This is why you see that opera companies are so incredibly well funded by individuals. Rich people like opera. I mean, fundraising is really just about good manners and common sense. At the end of the day, someone gives you money, you say "thank you." Common sense. You think about what's available to you, and who is interested, who is your audience. And when you answer that basic question, then you can begin to create a campaign.

And it's really important to make sure you don't have all of your eggs in one basket, and to have as broad a base as possible. Because tomorrow, someone could fly a plane into the World Trade Center, and then New York City could cut your budget by $2 million. You've got to make sure that you have a broad base and you can withstand the impact of whatever happens across the board.

Cobb: I agree totally, but again, we have to think like a sector. We're focused. We have been focused on that tiny little sliver that is the NEA. But think about this: more than two dozen federal cultural programs in 1997 were authorized at $1.3 billion and overseen by 29 different Senate and House committees. When we think about government funding, we should be thinking much more broadly. We should also be noting that generally speaking, over the last decade, funding at the state level—in those government agencies for the state arts councils and other institutions within the state—has increased dramatically. And that there are now, how many local arts agencies also funded by local governments and by local people? This is a huge sector. So while you're deciding what's most strategic for your institution, you also have to think much harder about what we *really* mean by government funding, and how we have to argue to get it up even more.

Fundraising is really just about good manners and common sense. At the end of the day, someone gives you money, you say "thank you."

–Karen Brooks Hopkins