

HIGHLIGHTS OF THE FOUNDATION CENTER'S 1999 STUDY

Arts Funding 2000

Funder Perspectives on Current And Future Trends

by Loren Renz and Caron Atlas

Arts Funding 2000: Funder Perspectives on Current and Future Trends represents the Foundation Center's fourth examination of the role of foundation and corporate grantmakers in supporting arts and culture. Developed in partnership with Grantmakers in the Arts (GIA), the new study explores the current practice of arts funding viewed through the eyes of grantmakers. GIA's purpose in sponsoring this research was to learn about the changing context for arts funding and about the ways grantmakers are responding to changes in the arts field and within their own organizations.

Drawn from interviews with a cross-section of 35 leading foundation and corporate arts donors conducted in 1999, *Arts Funding 2000* offers an up-to-the-minute snapshot of shifting priorities and approaches to funding and insights about key challenges and opportunities facing the field today. The study was led by Loren Renz, the Foundation Center's vice president for research. The interviews were conducted by Caron Atlas, research consultant and co-author.

Components of the study include an overview of the principal themes and creative tensions involved in arts grantmaking today; a discussion of how funders develop their objectives; a review of what's new in arts grantmaking, documented by examples and case studies; a discussion of the principal factors driving change in funding priorities and practice, with special attention to the impact of leadership transitions and restructuring and a decline in public support; an examination of the practices funders employ to increase impact; an exploration of the key issues and concerns facing the arts community and arts grantmakers; and predictions about future trends in philanthropy and the arts field. The report also features detailed profiles of the arts programs of the 35 grantmakers included in the study.

Arts Funding 2000 serves as a companion piece to the Foundation Center's 1998 *Arts Funding* report, which analyzed more than 11,000 foundation arts grants and mapped changes in funding trends through 1996. Support for both reports was provided by the AT&T Foundation, Ford Foundation, Jerome Foundation, David and Lucile Packard Foundation, Pew Charitable Trusts, and Lila Wallace-Reader's Digest Fund.

Key Findings

CHANGING CLIMATE FOR ARTS FUNDING

Regardless of the particular arts disciplines or target groups that grantmakers support, their objectives and strategies are being influenced by a range of issues and forces that are changing the climate for funding, both within grantmaking organizations and in the arts world overall. Discussions focused mainly on four related areas:

Marginalization of the arts. The principal concern for the largest number of grantmakers is the isolation and marginalization of the arts in the U.S. and—by extension—an isolated role for arts grantmaking. In the wake of the culture wars and a perceived anti-arts backlash, funders agree on the critical need for integrating the arts more fully into civic life, and for assuring them a place at the table in public policy debates and in dialogue about the social good. A related objective involves developing the research to make the argument for why the arts are important and deserve greater public and private support.

Powerful role of the arts when integrated into society. Funders believe in the untapped power of the arts and creativity to help knit together an increasingly technological and global, yet disconnected, world. They agree on the importance of "making art live in people's lives," by supporting a full range of opportunities for public engagement in the arts and artmaking, where participation is not limited to being an audience member but includes being a creator, student, teacher, and partner or supporter.

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Sustainability of the arts in a changing world. Funders increasingly view the arts as a sensitive ecosystem that is sustained by diverse resources and an ability to function in a changing environment. The chronic shortage of resources for the arts overall and for the creation of new work in particular threatens sustainability. Funders are concerned about their grantees' ability to diversify their income sources and adapt their organizations to engage in new opportunities and challenges. A desire to increase the sustainability of arts groups and have long-term impact on their areas of focus, while remaining responsive to urgent needs, has led grantmakers to diversify their approaches to funding.

The landscape of audiences and the demand for the arts is changing. Grantmakers are paying greater attention to questions about demand for the arts. Audiences are changing, and there is increasing competition for their decreasing leisure time. The arts field does not well understand its audiences. The relevancy of artists' work to their audiences is also a concern.

Other Concerns. Among the other issues that are influencing objectives, funders cited concern about the issues of race and class, and growing inequities between the haves and the have nots; the need to increase community ownership in the grantmaking process; and the difficulty of striking a balance between the ongoing funding of major institutions and supporting groups that have been underfunded.

WHAT'S NEW IN GRANTMAKING?

How have the changing environment and shifts in funders' objectives affected the current practice and patterns of arts grantmaking? Of the 35 funders interviewed, a few emphasized consistency over change and viewed that as their strength. However, the vast majority have introduced varying degrees of change—in program focus, type of support, or approach to funding. Several key trends emerged:

Definitions of the arts are changing. Nine out of ten funders interviewed reported changes in arts focus since 1996. The area of change most often cited was program definition. Programmatic changes reflected new stages in the development of the grantmaker, new understandings of the arts field, or new initiatives to move the arts field forward. Also cited among areas of change were target group and geographic focus. Examples of these changes included expanding support to underserved groups,

such as grassroots organizations, mid-sized arts groups, rural arts groups, and individual artists.

Grantmakers are narrowing their focus. The majority of the funders interviewed are seeking to develop a more strategic approach to arts grantmaking by focusing on a particular set of issues or disciplines in a way that can be evaluated and produce lessons for both grantmaker and grantees. To balance this narrowing, funders are developing mechanisms, such as "opportunity funds," to capture new ideas that fall outside of their guidelines.

Arts education programs and youth programs are areas of increasing focus. One out of four funders interviewed mentioned a growing focus on arts education and arts and youth programs, ranging from support for school reform and "arts across the curricula" programs, to training teachers and young artists, to supporting artists-in-residence. Several funders cited efforts to maximize the impact of these programs by codifying approaches and curricula.

Grantmakers are considering ways to increase support for artists. Nearly one out of four grantmakers interviewed already supports artists and the creation of new work, either directly or indirectly. Several others who do not are considering ways to keep the generative side of the arts strong, in the face of crippling cutbacks in public support. Possible approaches include supporting fellowships, training, travel funds, sabbaticals, artist-in-residence programs, and commissioning programs

Funding is increasingly integrated across programs. Many grantmakers are seeking to increase impact through collaborations across arts and non-arts programs within their own organizations. In some cases, foundations are restructuring to facilitate cross-program collaboration and thematic approaches. Funders are also systematizing their grantmaking processes in response to pressures to be more effective, and they are making larger, longer-term, multi-year grants. One-third of the funders are working increasingly with funding intermediaries to provide grants or services to smaller arts groups.

Grantmakers are mixing types of support. Nearly one-half of grantmakers reported using at least one new type of support in the latest three years. Grants are beginning to reflect a mix of types of support that reinforce one another, such as funding for operations, programs, and capacity building. Funders are

making more grants for organizational development and capacity-building programs, and for research and policy activities. Technical assistance is a growing form of non-grant support.

FUTURE TRENDS IN PHILANTHROPY AND ARTS FUNDING

Beyond examining current practices, Arts Funding 2000 reveals funders' opinions about future prospects for funding in their own organizations, and about new directions in arts funding and philanthropy overall. Several key predictions emerged:

The dollar amount of arts funding for most grantmakers will increase, but the arts' share of funding will mainly remain steady. Two out of three funders predicted an increase in the size of their arts budget. The most frequently cited reason was the booming stock market. Several corporate funders expected the amount of funding to rise, although expectations were more qualified than for private foundations, which derive most of their income from investments. Despite the rise in dollar amount, only one out of three grantmakers expected that the arts would capture a larger share of their overall budget. Three of those respondents were community foundations who cited new arts initiatives. In general, corporate funders expected the share of their budgets allocated for the arts to remain stable.

Growth in wealth will bring new opportunities to expand philanthropy, including arts grantmaking. Funders predicted the growth of a much expanded philanthropic sector built on new wealth. While they are excited about the opportunities related to this growth, there is a concern that the arts may be overlooked by new donors. Learning about new sources of philanthropy and educating donors about the importance of supporting the arts was viewed as an important challenge for arts funders.

The trend toward increased expectations for accountability will continue. The future success of arts funders to build broader support for the arts and for arts grantmaking will depend in large measure on whether they can demonstrate impact. Greater emphasis on accountability is likely to affect grantmaking strategies and practice, leading to increased use of performance measures and outcome-based evaluation. Grantmakers will have to demonstrate not only the impact of individual grants, but also the value of their overall funding program.

Concern about sustainability will remain strong.

The chronic underfunding of the arts field will continue to be a top issue for grantmakers, and competition for funding will remain strong. Among the strategies that funders will employ to increase sustainability, operating support will continue to increase, often with benchmarks built in. Capacity-building programs will increase as funders seek to strengthen the field and help build leadership.

Arts and Culture will be defined more broadly.

Funders expect the arts field to incorporate changing definitions that cross disciplinary boundaries and embrace new forms of arts related to technology and media, community-based informal or unincorporated arts, and cultural tourism. Although the arts field is expanding, many foundation programs are not structured to fully embrace these new definitions.

Technology will have increasing impact on the way artists and grantmakers define and carry on their work. Grantmakers believe that technology will redefine arts disciplines and the experience of the arts. Virtual organizations will reshape the arts grantmaking landscape.

Arts education will continue to be emphasized.

Following a trend that has been documented since the mid-1980s, funders expect that arts education will continue to draw the interest and support of grantmakers, especially as the focus broadens in areas such as arts and youth development and arts training related to workforce opportunities.

It will be harder to distinguish between for-profit and non-profit arts activities. This was seen as both a positive and negative trend. Hybrid profit/nonprofit structures provide opportunities for increased sustainability. Still, there is concern about what the market will not tolerate and an overemphasis on the bottom line.

Among possible negative trends, funders will place too much emphasis on asking the arts community to be all things to all people. Funders are concerned that the arts and arts grantmakers will increasingly be pressured to make up for failure in other systems, for example, in education.

Grantmakers Interviewed

Metropolitan Atlanta Arts Fund	William and Flora Hewlett Foundation	Microsoft Corporation
AT&T Foundation	Humboldt Area Foundation	David and Lucile Packard Foundation
Chase Manhattan Bank	James Irvine Foundation	Pew Charitable Trusts
Creative Capital	Jerome Foundation	Rockefeller Foundation
Nathan Cummings Foundation	Kentucky Foundation for Women	San Francisco Foundation
Durfee Foundation	John S. and James L. Knight Foundation	Community Foundation of Santa Cruz County
Fannie Mae Foundation	Kraft Foods	Seventh Generation Fund
Fidelity Foundation	John D. and Catherine T. MacArthur Foundation	Community Foundation of Southeastern Michigan
Ford Foundation	Andrew Mellon Foundation	Surdna Foundation
GE Fund	Joyce Mertz-Gilmore Foundation	Lila Wallace-Reader's Digest Fund
Walter and Elise Haas Fund	Eugene and Agnes E. Meyer Foundation	Andy Warhol Foundation for the Visual Arts
Hawai'i Community Foundation		
Heinz Endowments		

SAMPLING INFORMATION

Grantmaker Interview Sample by Type

Grantmaker Type	No.	%
Independent Foundations	13	37.1
Family Foundations	7	20.0
Corporate Grantmakers	7	20.0
Community Foundations	5	14.3
Public Foundations	3	8.6
Total	35	100.0

Source: *Arts Funding 2000*, 1999.

Grantmaker Interview Sample by Arts Budget as a Share of Overall Funding

Portion of Overall Budget	No.	%
All or nearly all	6	17.1
One-fourth to one-half	9	25.7
One-tenth to one-fourth	16	45.7
Less than one-tenth	3	8.6
Unknown	1	2.9
Total	35	100.0

Source: *Arts Funding 2000*, 1999.

Grantmaker Interview Sample by Geographic Focus

Geographic Focus	No.	%
Local or Regional	11	31.4
Local/Multi-state	3	8.6
Local/National	5	14.3
Regional	5	14.3
National	7	20.0
National/International	3	8.6
Unknown	1	2.9
Total	35	100.0

Source: *Arts Funding 2000*, 1999.

Grantmaker Interview Sample by Size of Arts Funding

	No.	%
Large (\$2 million and up)	20	57.1
Medium (\$500,000–\$2 million)	8	22.9
Small (less than \$500,000)	6	17.1
Unknown	1	2.9
Total	35	100.0

Source: *Arts Funding 2000*, 1999.

Ordering Information

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