



Arts Funding in California: Where Do We Stand? November, 2010

SUMMARY

Through its *Communities Advancing the Arts* (CAA) initiative, The James Irvine Foundation is supporting nine community foundations to strengthen their arts grantmaking and expand their donor bases for arts giving. In October 2010, Helicon Collaborative was commissioned to interview funders who support the arts in California and, based on this research and a similar national scan Helicon completed in September, to capture emerging trends relevant to arts programs of California community foundations. This report outlines the highlights of that scan and suggests some implications for community foundations going forward.

Helicon interviewed 20 funders for its national scan and 11 for the California project. In addition, Helicon analyzed Foundation Center data on giving to the arts nationally and in California specifically, and reviewed recent data on public funding for the arts provided by the National Assembly of State Arts Agencies.

Highlights of this research

Funding levels:

- Foundations provided \$375 million to California arts, culture and media organizations in 2008.
- California-based foundations provided \$287 million, and foundations outside California provided an additional \$88 million.
- Of the \$375 million
 - \$125 million (33%) was awarded to museums;
 - \$89 (23%) million was awarded to performing arts organizations;
 - \$59 million (16%) to media and communications;
 - \$58 million (15%) to multi-purpose arts organizations;
 - \$18 million to humanities (5%);
 - \$26 million (8%) was divided between historic preservation; policy, management and information; and other. (See Fig. 1 on next page)
- Nearly 30% of funding provided by California foundations (\$83 million of \$287 million) was awarded by four foundations in 29 grants.¹
- Nearly 70% of the funding provided by California foundations (\$197 million of \$287 million) came from just ten foundations.²
- Three community foundations (Silicon Valley, San Francisco and Marin) alone contributed \$33 million.

¹ Four California foundations providing nearly 30% of arts funding in 2008 were: Eli & Edythe Broad Foundation, Skirball Foundation*, Lucasfilm Foundation, and The Walt and Lilly Disney Foundation.

² Ten California foundations providing nearly 70% of arts funding in 2008 were: Broad Foundation, Hewlett Foundation, Skirball Foundation*, Silicon Valley Community Foundation, The James Irvine Foundation, Lucasfilm Foundation, Ahmanson Foundation, Annenberg Foundation, Disney Foundation, The San Francisco Foundation.

* Note: The Skirball Foundation is located in New York State but predominately funds California nonprofit organizations.

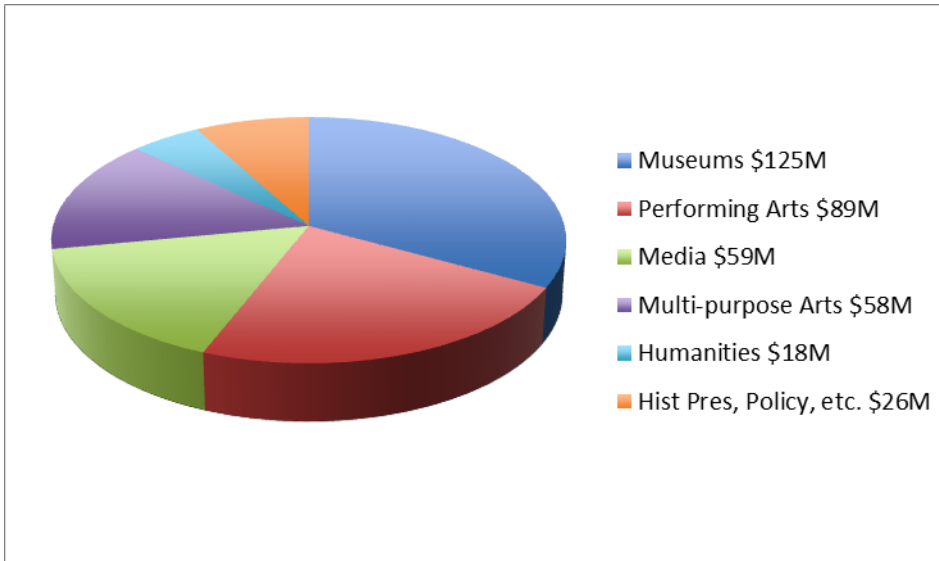


Fig. 1: Distribution of \$375M in foundation funding to CA arts organizations

General trends:

- Nationally, arts funders are increasing general operating support and decreasing funding for facilities and capital projects.
- About one-third of foundation arts funders have increased levels of funding, about one-third have maintained previous levels and about one-third have diminished support.
- In response to the recession, most arts funders are focused on fulfilling commitments to current grantees, in some cases curtailing access for new applicants.
- While few foundations indicate a change in their strategic direction as a result of the recession, an increasing number of national, corporate and community foundations are integrating their arts funding with work in other sectors such as community development, education, or youth development.
- State funding for the arts has declined 13% during the recession, and is down more 30% compared to its high in 2001; local public funding has also declined by more than 10% since 2008.

Important perceptions of California:

- Given the number and quality of arts organizations in California, reductions in funding at national and local levels have powerful and disproportionate impacts relative to other states.
- Significant numbers of artists and arts organizations in California are pioneering socially responsible, cross-sector partnerships, linking the arts to pressing social issues such as health care, immigration, education, civil rights and equity issues.
- The cultural sector in California has a history of innovation – many field-wide models and cross-sector partnerships have begun here.
- California’s technology and entertainment industries attract and employ diverse artists and provide opportunities for innovative collaboration.
- Despite the recession, there is enormous personal wealth in California and potential for expanded philanthropic activity.

Key opportunities for California community foundations

Impact:

- California's leading-edge demographic change provides unique opportunities for community foundations to exert leadership in recognizing and supporting art forms, programs and audiences that herald the future for the nation as a whole.
- Cuts to state education budgets make the role of cultural institutions and artists in arts education and youth development more important than ever.
- Technology can be harnessed to make diverse cultural resources more visible and accessible, and connect artists and arts organizations to community needs.

Fundraising:

- California has a major presence in every sector of the U.S. economy; corporations need to have a positive profile here.
- The potential for increasing individual philanthropy is vast, given the number of high net worth individuals in the state, the success of various grassroots giving campaigns here, and community foundations' expertise in donor cultivation.
- The Cultural Data Project will provide new insights into the workings and needs of the cultural sector, supporting efforts to make a better case for the arts using strong data, benchmarking and comparative analysis with other sectors and regions of the country.
- New arts-friendly leadership in the governor's office may create an opening for policy and funding shifts.
- Community foundations' local knowledge and local impact can be useful to national foundations seeking to work in a particular locality; the network of community foundations in the state appeals to national foundations seeking impact in multiple locations.

BACKGROUND

Since 2004, The James Irvine Foundation has worked with community foundations in California to strengthen their arts grantmaking and expand their donor bases for arts giving.³ Called *Communities Advancing the Arts (CAA)*, this initiative has stimulated meaningful growth in contributions to community foundations for arts programs. Between 2004 and 2009, CAA participants grew arts assets by more than \$44 million, with most of this growth coming from bequests that were earmarked for the arts, significant gifts from new donors, and increased giving from long-time arts supporters. Altogether, this group of community foundations inspired nearly 90 new donors to begin giving to the arts, and they created more than 100 new arts funds.⁴

The Irvine initiative will terminate in 2011, and participants are beginning to plan for the future. To help them understand trends in private foundation and corporate funding for the arts in the state, and provide information to focus their donor appeals and refine future arts strategies, in October 2010, Helicon Collaborative was commissioned to provide a profile of arts funding trends. Helicon interviewed a cross-section of 11 national and local funders that support the arts in California, and combined these findings with the results of a similar national study Helicon developed in September 2010 for Grantmakers in the Arts.⁵ In addition, Helicon analyzed data provided by the Foundation Center and National Assembly of State Arts Agencies. Helicon's findings were presented at the November 2010 *Communities Advancing the Arts* convening. This report is a summary of the findings from Helicon's research.

RESEARCH FINDINGS

I. Funding Levels

Foundations provided \$375 million to California arts, culture and media organizations in 2008, the most recent year of aggregated data available from the Foundation Center. This includes grants provided by private independent, corporate, community and operating foundations. The \$375 million total represents approximately 12% of total foundation giving to the arts nationally. Of the \$375 million total, \$287 million was provided by California-based foundations through 2,460 grants. An additional \$88 million was provided by non-California foundations, via 656 grants. California organizations received approximately 12% of total foundation giving to the arts nationally, and six of the largest 25 arts funders in the country in 2008 were based in California.⁶

In keeping with national patterns, museums received the greatest portion of foundation grants in California, approximately \$125 million or 33% of the total in 2008. (Museums received 34% of all arts funding nationally in 2008.) Performing arts organizations received \$89 million in 2008, approximately 23% of total arts contributions in California (compared to 30% of all giving nationally that went to performing arts groups). Media and communications organizations received \$59 million, or 16% of the total for California (approximately 3% more than the

³ Current participants include California Community Foundation, Community Foundation for Monterey County, Community Foundation Sonoma County, East Bay Community Foundation, Orange County Community Foundation, Sacramento Region Community Foundation, San Diego Foundation, The San Francisco Foundation, and Ventura County Community Foundation.

⁴ See www.irvine.org/evaluation/program-evaluations/communities_advancing_the_arts.

⁵ See "Arts Funders and the Recession: A Year Later," available at www.giarts.org.

⁶ Annenberg Foundation, Packard Humanities Institute, Eli & Edythe Broad Foundation, The William and Flora Hewlett Foundation, Silicon Valley Community Foundation, and The James Irvine Foundation.

national pattern); multi-purpose arts organizations, including multi-disciplinary and community-based groups, received \$58 million or 15% of the total (higher than the national average of 8%). Humanities organizations received \$18 million, or 5% of the total (similar to national); and the remainder was divided among historic preservation; policy, management and information projects; and other unspecified grants.

Funding by California foundations is highly concentrated. Nearly 70% of the funds provided by California sources in 2008 (\$197 million of \$287 million) came from just ten foundations.⁷ More than \$83 million, or nearly 30% of the \$287 million total, was distributed by four foundations in just 29 grants, predominantly to large museums, performing arts organizations and media organizations.⁸ Community foundations are significant players in arts funding in California, contributing \$42.5 million or 15% of funds from California sources, and 11% of foundation support to arts groups overall. But \$33 million of that \$42.5 million was awarded by just three foundations – Silicon Valley, San Francisco and Marin. Nationally, community foundations provide approximately 12% of all foundation arts grants.

2. General Funding Trends

Helicon extracted a number of general patterns in arts funding from the results of a survey of Grantmakers in the Arts members conducted in July 2010, interviews conducted with 20 diverse arts funders over the summer, and an additional 11 interviews with funders that have a significant profile in California.

Nationally, there are variations in allocations to the arts. Since the recession began, about one-third of arts funders have increased arts support, about one-third have decreased it and about one-third have kept arts funding level. This mixed pattern seems to hold true for California funders. Honoring current commitments is the priority for all funders; this means that in many cases, funders are not accepting proposals from new applicants or are declining a greater number of proposals in order to fulfill pre-existing grants with a reduced portfolio.

There are three basic categories of grants: project grants, operating support and capital grants. Arts funders report that they are increasing funding for operating support or including some operating support in project grants. Seventy-five percent of the funders responding to the GIA survey indicated they have increased their commitment to operating support. This national pattern was reinforced by the interviews focused on California. Nationally, funders are diminishing their commitments to facilities projects or capital campaigns. The pattern with facilities grants is more mixed in California, where a number of arts large foundations continue to make large capital grants.

Numerous arts funders, including many California-based foundations, have launched special initiatives in response to the recession. These include technical assistance and capacity-building programs (training in scenario and business planning, financial management, social media skills, for example), loan and credit programs, and new collaborations and partnerships.

⁷ Eli & Edythe Broad Foundation, The William and Flora Hewlett Foundation, Skirball Foundation, Silicon Valley Community Foundation, The James Irvine Foundation, Lucasfilm Foundation, Ahmanson Foundation, Annenberg Foundation, Walt and Lilly Disney Foundation, and The San Francisco Foundation

⁸ Eli & Edythe Broad Foundation, Skirball Foundation, Lucasfilm Foundation and Walt and Lilly Disney Foundation

Nationally, 27% of GIA survey respondents indicated they have increased their support for individual artists; only 2% reported decreasing support of this kind. Some funders have increased fellowship support; some have placed greater emphasis on support for artists in their project grants; some have initiated technical assistance programs for artists or other kinds of support. California artists are the beneficiaries of these national patterns, and several California foundations – East Bay Community Foundation and The San Francisco Foundation among them – are notable leaders in the effort to elevate assistance to artists.

An increasing number of national, corporate and community foundations are integrating their arts funding with work in other sectors such as community development, education or youth development. This pattern began before the recession but has been propelled by it in several places, notably at some corporate and community foundations where making the case for stand-alone arts funding is getting more difficult in light of growing pressure to address hunger, homelessness and other social needs intensified by the economy. The arts-only focus of a number of large California foundations, such as Broad, Ahmanson and Annenberg, are the exceptions that prove a more general “rule” that more funders are linking their arts funding to other social issues or community needs.

This report focused on funding by arts foundations, but public funding for the arts is an important part of the funding ecology for artists and arts organizations. Data from the National Assembly of State Arts Agencies indicate that state funding for the arts has declined 13% since 2007, and by more than 30% since its high in 2001. Public funding for the arts at the local level has also declined, by more than 10% since 2008. These trends are very pronounced in California, where the state arts council has been decimated, and funding for local arts councils has declined precipitously. These cuts have a disproportionate impact on small and mid-sized organizations, and artists, who rely more heavily on public funding than larger institutions.

3. Perceptions of California

The 11 arts funders we interviewed because of their familiarity with and focus on California made a number of points about unique conditions in the state, and the special challenges for artists and arts organizations here. All commented on the size, quality and diversity of the cultural sector overall, suggesting that reductions in public and private sector funding at national, state and local levels are hitting California disproportionately as a result. One person mentioned that the National Endowment for the Arts’ policy of not awarding more than half of its grants to California and New York institutions greatly increased the competitiveness of the funding environment for California groups. Another noted that reductions in grantmaking and shifts away from the arts by many national funding sources for the arts (Wallace Foundation, for example, or Philip Morris) have had a greater impact on California than some other places because of the number of excellent groups that had received such support in the past. A number of people also suggested that while all state governments are gravely challenged by the recession, California’s budget woes are more severe than most and the ripple effect of public cutbacks affects artists and arts organizations on multiple levels. The reductions in public education funding, in particular, were mentioned repeatedly as exacerbating the growing divide between rich and poor, and further reducing access to arts education for millions of young people.

A number of people we interviewed suggested that California arts and culture groups have responded nimbly to the recession and are adapting their business practices to keep pace with the times. Several suggested that while the recession is a factor in propelling organizational change, generational and demographic shifts in California are equally important, if not more

important, in pushing arts organizations to alter their old ways of doing business. Some noted that many California arts groups have a long-standing commitment to collaboration and track records of experimentation which are especially valuable in these times of constraint.

All those we interviewed expressed appreciation for the imagination and progressive models that cultural leaders in California offer the nation. This encompasses models for arts development that have originated here, such as the Alliance of California Traditional Arts, the Haas Foundation Creative Works Fund and or the Bay Area's Fund For Artists. It includes organizations that have unique artistic identities with national impact such as Axis Dance Company, Radio Bilingue or Youth Speaks. It also includes progressive, cross-sector partnerships such as the work of Los Cenzontles, The Japanese American National Museum, and Will Power (to name just a few) in which artists and cultural groups address pressing social issues such as immigration, civil rights and equitable access to social services and educational programs.

4. Opportunities for California Arts and Funders

In addition to asking about the most important challenges facing California, Helicon asked funders what they considered the unique opportunities facing the cultural sector of the state. Many noted that the influx of large numbers of immigrants from diverse cultures continually refreshes artistic traditions here, and that California's ethnic and cultural diversity is its greatest asset. To many, California is a harbinger of our nation's future, and the demographic shifts occurring here provide forward-looking opportunities to recognize, support and understand diverse artistic and cultural forms and evolving ways of participating and appreciating the arts. Many noted that generational and demographic shifts are propelling California arts organizations to change the way they think about their missions and the way they do business. The models that California arts groups are piloting, and the lessons they are learning are useful for their counterparts in other parts of the nation.

Another opportunity resides in the importance of California to the national economy. California has a major presence in every sector of the U.S. economy; corporate funders need to have a positive profile in the state and this offers openings for arts and cultural organizations. In addition, both the technology and entertainment industries – crucial to California's economic health – attract and employ substantial populations of artists, adding to the creative and entrepreneurial base of the cultural sector as well as the cohort of wealthy individuals with an interest in the arts.

Interviewees repeatedly noted that, despite the recession, there is still enormous individual wealth in California and this represents the greatest opportunity for future philanthropy. By encouraging high net worth individuals to create new foundations or donor-advised funds related to the arts and helping arts organizations and artists connect with individual contributors, the base of support for the arts can be increased exponentially.

The final issue mentioned frequently by the funders we interviewed is both an opportunity and an imperative. It centers on the needs of California's youth. In all communities, in all classes, in all ethnic and social groups, California's young people need the arts to make sense of their lives, respond creatively to their changing communities, and shape their personal and collective prospects with imagination. There is an opportunity for cultural organizations and artists to engage California's youngsters and contribute to their positive development, even while state education resources are extraordinarily constrained.

5. Implications for Community Foundations

What does this research suggest for community foundations in the *Communities Advancing the Arts* initiative, and their peers across the state?

The fundamental mission of community foundations is to aggregate and deploy resources to improve the health and welfare of the communities they serve. They are uniquely positioned to assess the needs and opportunities of their individual communities and to collaborate with a range of partners to address them. The results of this research suggest that there are three key issues challenging every community in California that represent exceptional opportunities for community foundations committed to the arts: demographic change, cultural equity, and education. And there are three assets which community foundations can wield to address these challenges: their collaborative skills and cross-sector connections, their access to individual donors, and technology.

Key Issues

California has the most diverse population in the country, with people from hundreds of countries attempting to preserve or adapt their cultural and aesthetic practices in the American context. The profile of arts organizations and artists in the state is equally varied. Yet more than 70% of arts funding in the state goes to larger institutions – museums, performing arts organizations and media entities. Multi-purpose and community-based arts groups, whose numbers represent the vast majority of arts organizations in the state, receive only 15% of total funding. And foundations based outside the state gave nearly as much to multi-purpose and community-based arts groups in 2008 as foundations based in the state (\$26 million vs. \$32 million). Given their local knowledge and commitment to the broad needs of their localities, California community foundations have a compelling opportunity to address demographic change and issues of equity through their arts programs. And in doing so, they can serve as both leaders for and partners with national foundations interested in these issues.

An even more pressing area of concern is the state's population of children and young people. As state and local education and social service budgets continue to be cut, programs for youth are in peril. Community foundations cannot fix the state's education system, but they can provide support for local programs that ameliorate the impacts of budget cuts on local youth and point to practices that integrate the arts in young people's education – both in and out of school. Collaborative programs may be required to address an issue of this magnitude, but this is an area in which community foundations could have a meaningful role as change agents. Here, too, community foundations may be an important partner to national foundations or federal agencies seeking new approaches to youth development.

Key Assets

California community foundations are master collaborators. They work with diverse people across multiple sectors; they are skilled at building partnerships and organizing disparate interests around a common cause. Community foundations can bring their broad networks and connections to bear in supporting arts groups and artists as they explore more cross-sector, arts/non-arts collaborations. In addition, community foundations can work singly or in clusters to address issues. There are multiple examples of national foundations working with cohorts of community foundations to achieve common goals.⁹ Collaboration can be a complex logistical

⁹ In the arts, Helicon could find three examples of national funder-community foundation collaborations – one supported by the National Endowment for the Arts in the 1980s, one supported by the Lila Wallace-Reader's Digest Fund in the 1990s, and the current Irvine Foundation *Communities Advancing the Arts* initiative.

challenge for participants, but the CAA participants share important priorities and could form a new consortium to move forward an arts agenda of mutual interest.

New technology platforms, databases and social networking tools provide opportunities for community foundations to make the diverse cultural resources in their communities more visible and accessible. These tools also enable community foundations to encourage arts participation in every community, and connect arts and artists to community needs. As more private foundation programs and federal agencies expect grantees to meet multiple community goals and apply comprehensive, interdisciplinary approaches to problem-solving, in-depth knowledge about community needs and resources will be increasingly important. Community foundations can lead the way in integrating artists and arts organizations into larger community data sets so that communities embrace a broad definition of cultural activity and value the role of the arts in making healthy communities. A number of new prototypes for technology-based audience engagement are in development. (These include cultural databases and corollary applications, arts-specific social networking platforms, and innovative fundraising tools such as kickstarter.com or indygogo.com). California community foundations could lead the nation by investing strategically in this area.

While grants from national or regional foundations can be a spur to community foundation programs and the programs of arts organizations and artists, it remains true that the most substantial potential for increased funding for the arts rests with individual donors. The CAA participants have had noted success in attracting new donors. The Fund For Artists program implemented by the East Bay Community Foundation and The San Francisco Foundation is another example of effectively attracting new donors to artists and arts organizations. The lessons of these two programs – including the importance of values-based donor appeals, can be further mined and extended.

Conclusion

California is a state of pioneers and entrepreneurs. There is no question that the intellect and drive to invent and implement solutions to the pressing problems California communities now face is in our communities. As conveners and as providers of both the vision and the path to community change, community foundations are positioned to harness both the best people and the best strategies to move the arts and culture sector forward on the ground locally. The biggest lesson from the research here is to utilize both the unique assets of community foundations, and the unique assets of California to transform communities seen by the rest of the country as harbingers of the future of America.

Appendix A – Interviewees

California Arts Funders Scan

Rohit Burman, MetLife
Alice Carle, The Kresge Foundation
Ben Cameron, Doris Duke Charitable Foundation
Christine Elbel, Fleishhacker Foundation
Bridget Kelley, Annenberg Foundation
John McGuirk, Hewlett Foundation
Claire Peeps, Durfee
Frances Phillips, Walter & Elise Haas Fund
Patrice Powell, NEA
Roberta Uno, The Ford Foundation
Daniel Windham, The Wallace Foundation

Grantmakers in the Arts National Arts Funder Research

Kelly Barsdate, NASAA
Vickie Benson, McKnight Foundation
Michelle Boone, Joyce Foundation
Rohit Burman, MetLife
Ben Cameron, Doris Duke Charitable Foundation
Pamela Clapp, Andy Warhol Foundation
Sue Coliton, Paul G. Allen Foundation
Lisa Cremin, Metropolitan Arts Fund
Deena Epstein, Gund Foundation
Susan Feder, Andrew W. Mellon Foundation
Cynthia Gehrig, Jerome Foundation
Marian Godfrey, Pew Trusts
Deepa Gupta, MacArthur Foundation
Jim Kelly, 4 Culture
John McGuirk, Hewlett Foundation
Ann McQueen, The Boston Foundation
Olive Mosier, William Penn Foundation
Claire Peeps, Durfee Foundation
Ellen Rudolph, Surdna Foundation
Janet Sarbaugh, Heinz Endowment
Regina Smith, The Kresge Foundation
Huong Vu, Boeing Company
Daniel Windham, The Wallace Foundation