

ARTS IN THE BALANCE:

*A Survey of Arts Funding in Los Angeles County
1998 to 2008*

*A Partnership of Southern California Grantmakers
and the UCLA Center for Civil Society*

A stylized graphic of several overlapping green leaves or petals, arranged in a fan-like pattern, located in the bottom left corner of the page.

INTRODUCTION

Since 1998, Southern California Grantmakers has surveyed public and private funding agencies in Los Angeles County to assess trends in organized giving to the arts. As in previous surveys, this fifth and concluding biennial “Arts in the Balance” report reflects areas of concentration and gaps in LA’s arts funding, while underscoring the increasingly vulnerable state of Southern California’s nonprofit arts community and support for artists performing public-benefit projects.

This year’s survey examines the extent to which arts funding sources and patterns have slumped—or, in many cases, stayed much the same—over the past 10 years. It also provides insights into the current funding climate for arts and culture in Los Angeles, within the context of trends that will impact the arts funding landscape in the years ahead.

The 2008 Survey of Arts Funding in LA County was a joint project between Southern California Grantmakers and the UCLA Center for Civil Society.

HISTORICAL PERSPECTIVE

What began in 1998 as an exercise to assess the pool of dollars available to nonprofit arts organizations has become a window to the deepening challenges facing LA's arts and cultural community. Indeed, a central finding of all five biennial surveys is that neither public nor private funding flows can be expected to adequately meet the financial needs of nonprofit arts and public benefit culture projects.

The decade of surveys also reflects a nearly constant state of economic tumult in California, beginning with the first survey period in 1998, which coincided with the “dot.com bubble”—followed closely by the “dot.com crash” just two years later. By the third survey period in 2002, private giving was declining along with the stock market and public funding had become a direct reflection of substantial shortfalls in some government budgets.

Between 1998 and 2002:

- Private grantmaking dropped 13%; public funding increased between 1998 and 2000, but fell dramatically in 2002
- The number of grants to arts organizations increased, but average dollar amounts of grants decreased significantly
- The percentage of arts funding to mid-sized organizations fell from 14% in 2000 to 5% in 2002; support for small organizations fell from 11% in 2000 to 6% in 2002

2004-2005 survey findings:

- Arts funding mirrored flows at 2000 levels, while LA's greater nonprofit sector expanded by 20%
- Public funding across local, state and federal government levels amounted to only 1%, compared to the national average of 10%
- Reduced funding from the California Arts Council resulted in an overall reduction of 21% in public funding compared to 1998, and a 35% reduction in comparison to 2002
- Performing arts and museums received 70% of total arts funding; film/video, media/communications, and cultural/ethnic awareness accounted for almost a quarter of nonprofit arts expenditures, but received only about 12% in terms of grant dollars

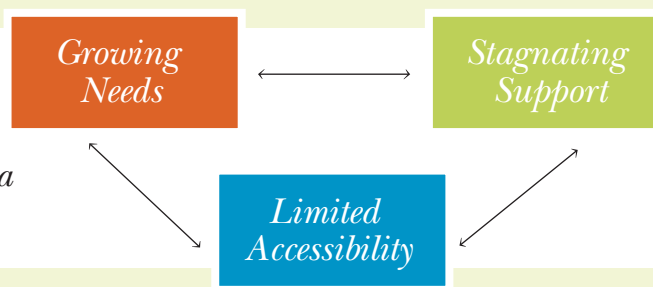
THE 2008 SURVEY

There are just over 1,000 arts and culture nonprofits in Los Angeles County, with approximately \$1.2 billion in revenue. As a group, their revenue has increased by 24% since 1998 (much of which occurred during the early survey periods), while revenue for the nonprofit sector as a whole increased by 37%. However, the slowdown in LA's arts and culture nonprofit sector that began between 2004 and 2006 has continued, resulting in revenue declines (despite revenue growth for the nonprofit sector overall), even as expenditures continued to increase.

Consequently, the 2008 arts survey mirrors 2006 survey results in the form of a **recurring trilemma** that expresses the paradox between the arts and culture community's **increasing needs for funding—in the face of stagnating financial support and limited accessibility to available private sources**. As a result, arts organizations are faced with both tremendous challenges and potentially devastating consequences. And even though county and city support has increased admirably in recent years, the share of government dollars flowing into the local arts community remains well below comparable figures for other cultural capitals such as New York, Chicago or San Francisco.

Figure 1.

The Arts Nonprofit Trilemma



Still, there is **good news, too**. According to the 2008 survey, a higher percentage of funders provided general operating support than in past years. General endowment, capital campaign and technical assistance support also increased. Additionally, arts education emerged as the most popular funding category, with both public and private funders more likely to fund arts education in 2008 than they were in 2000.

Flexibility and innovation saw increases in 2008 as well. In comparison to 2002, **both public and private funders are increasingly allowing applications to be submitted electronically**. However, a large number of funders continued to entertain proposals by invitation only, thereby inhibiting open access.

These trends should be perceived within the specific context of arts funding in LA County, where arts nonprofits rely more heavily on private foundation support than the rest of the nonprofit sector. Private foundation grants make up about 2% of the LA County nonprofit sector's overall revenue, and account for 12% of the arts and culture nonprofit revenue (compared to 8% for the country as a whole).

KEY FINDINGS

Fields Funded

- Although specific project/event support is still the most common type of support in 2008 (88% of funders gave to specific projects or events), a higher percentage of funders (66%) provided general operating support than in past years. General endowment, capital campaign, and technical assistance support also increased from 2005 and 2002.
- Most frequently funded were arts education (88%), museums, galleries, visual arts (84%), music (72%), and theater (68%). Compared with the 2005 survey results, museums, galleries and visual arts made the largest increase in popularity as a funding field or area. Theater experienced the largest decrease in funding between 2005 and 2008.

Individual Artists and Arts Education

- Public funders are more likely than private sector grantmakers to support individual artists. Furthermore, a somewhat higher percentage of public funders supported individual artists in 2008 (67%) when compared to 2002 (60%). Meanwhile, the percentage of private funders that support individual artists has remained the same (12%).
- However, the average grant size for individual artists from private funders (\$19,548) is nearly three times the size of the average public grant to individual artists (\$6,928).
- Both public and private funders are more likely to fund arts education in 2008 than they were in 2000.

Openness of Funding Process

- Public agencies fund a broader spectrum of arts organizations and have allowed for much greater access to funding opportunities.
- The percentage of private foundations that only accept proposals by invitation increased from 39% in 2002 to 43% in 2008.
- Both public and private funders increasingly allow applications to be submitted electronically as compared to 2002.

Private and Public Funder Perspectives

- Nearly 75% of public funders track diversity data relative to their grant recipients and audiences served, while only 20% of private funders collect such data.
- Funders also indicated that arts and culture nonprofits would benefit from increased professionalism and new business models. However, there is little consensus and no firm understanding of what such new business models would look like.
- A greater promotion of cultural tourism, and more nonprofit ties to the entertainment industry are frequently mentioned with regard to assisting the funding situation of local arts organizations, but efforts in these areas may not be sustainable solutions.
- Small- and medium-sized organizations, now more than ever before, need to continue to advocate for public funding. Large organizations may weather the crisis a bit more easily through individual giving. Nonetheless, large arts nonprofits may have to reorganize to sustain capacity. Collaboration is key to this process.

RECOMMENDATIONS

For Funders

- **With foundation assets having declined significantly—by more than 40% in some cases—foundations, like grant-seekers have to learn to achieve more with less.** Foundation leaders need to strike a dynamic balance between staying loyal to current grantees and opening up the process to encourage innovation and creativity, and to energize the field.
- We encourage funders to be open to new ideas by posting guidelines and accepting proposals on their websites, rather than by invitation only.
- We also encourage funders to make every effort to maintain current levels of arts funding, despite the economic crisis and urgent, competing demands for their funding dollars. The arts provide many intrinsic and instrumental benefits to society.

For Grant Seekers

- **After a long period of expansion, the nonprofit sector overall is entering a non-growth period.** For arts and culture organizations, expenses outpace revenue and the resiliency of the arts community—through its ingenuity and sacrifice—is to be applauded. However, we strongly encourage a systematic look at how potential redundancies among local arts and culture organizations could be reduced through collaboration, mergers or acquisitions.
- Even before the economic crisis, foundations were exhibiting a diminished capacity to support arts and cultural organizations. At the same time, there have been, and continue to be, serious concerns about capacity erosion and financial sustainability.

For Advocacy

- **Advocacy is everyone's job, especially in a time of financial crisis.** Private sector grantmakers, public funders, arts leaders and artists should continue to seek opportunities—through Arts for LA, Americans for the Arts and related forums—to speak loudly, persuasively and in a united voice in support of the arts.

CONCLUSION

Data for the **2008 Survey of Arts Funding in Los Angeles County** was gathered prior to the financial meltdown that hit the country in the fall of 2008. Yet, notwithstanding the current economic downturn, funders responding to the survey were already expressing increased pessimism about their financial situation, as well as their capacity for future funding of the arts.

Nevertheless, in Los Angeles, investment in arts yields high results. Nonprofits and artists manage to do more with less, with much of the creative “pay-out” happening in the small arts organizations and with individual artists. However, while both the economic context as well as the arts and cultural community have changed dramatically, there has been little change in how funders serve the arts community.¹ (The exception is the California Arts Council, whose budget has been cut so drastically since 2003 that the state now ranks last nationwide for arts spending per capita.) At the same time, funders are tending toward an overall more pessimistic outlook on their financial situation and capacity for future funding of the arts.

Still, the inherent resiliency of arts nonprofits and artists remains strong, as does the commitment and dedication of funders to their communities. Both have endured economic ups and downs before and, no doubt, they will again. Creative minds will come together in crafting survival strategies for weathering the economic crisis, even as passionate advocates raise their voices in communicating the vital role played by the arts.

Local arts groups and artists are integral to the economic health and well being of Los Angeles. They create jobs, encourage civic involvement, foster understanding between diverse cultures, enrich LA neighborhoods and enhance quality of life. And, perhaps one of the most valuable lessons that can be gleaned from this decade of arts funding surveys is that LA’s arts and culture sector— inextricably woven into the fabric of the community—has never lacked for passion, vision, inspiration or ingenuity. These qualities can be put to work by funders and the arts community alike to reinvigorate advocacy, forge new partnerships, develop innovative new organizational models and create networks along economies of scale, leading to increased opportunities for meeting the challenges that lie ahead.

Creative minds will come together in crafting survival strategies for weathering the economic crisis, even as passionate advocates raise their voices in communicating the vital role played by the arts.

¹See the *National Assembly of State Art Agencies Report* available at: http://www.nasaa-arts.org/publications/funding_grantmaking_07.pdf

METHODOLOGY

This year's report utilized three main data sources: the 2008 Arts and Culture Funder Survey; the Foundation Center; and the National Center for Charitable Statistics (NCCS). The 2008 survey employed a larger sampling frame than previous surveys, using the list of previous survey respondents, as well as lists of foundations provided by the Foundation Center that support arts and culture organizations in Los Angeles County (or are located in Los Angeles County and support the arts), and lists of foundations from the Southern California Grantmakers membership roster.

Of the 495 funders who received surveys, a total of 68 (14%) responded.¹ Private funders made up 84% (57) of respondents—including 63% (43) from LA County and 21% (14) from outside the county—while 16% (11) were public funders. Aggregate foundation funding trends are based on Foundation Center data, and grants sample, which includes all grants of \$10,000 or more awarded to organizations by a sample of 1,009 larger foundations. For community foundations, only discretionary and donor-advised grants are included. Grants to individuals are not included in the file. Nonprofit data was provided by the National Center for Charitable Statistics.

¹ *The 2008 response rate (14%) is down 1% from 2005, but the data collection time frame was reduced by two months. The response rate was also lower due to the fact that smaller funders were oversampled to compensate for projected low responses. In the end, only 6 of the 219 funders from the group of smaller funders responded, suppressing the response rate. If those 219 smaller funders were not part of the sample, the response rate would have jumped to 22%.*

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The full survey report can be viewed at www.socalgrantmakers.org.