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Grantmakers in the Arts

Grantmakers in the Arts
SPECIAL REPORT

Arts Funding at Twenty-Five

What Data and Analysis Continue to Tell Funders about the Field

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Grantmakers in the Arts
Supporting a Creative America

Arts Funding at Twenty-Five

Introduction

The easy convenience of typing a few key words into a search box and promptly being immersed in data can make one forget that this capability has existed for a remarkably short period of time. Just twenty-five years ago — a point in time well within the recollection of most members of the arts and culture sector — Stanley N. Katz, then president of the American Council of Learned Societies, observed, "the serious study of arts philanthropy is less than a generation old, and we are just beginning the sorts of data collection and analysis . . . we need to make sound judgements about the field."[1]

The "field" of arts and culture philanthropy itself is a relatively recent conception, driven to fruition in the late 1970s and early 1980s by a pioneering set of funders who grasped the value of shared learning and coordination and ultimately helped to establish Grantmakers in the Arts (GIA).[2] These philanthropic leaders also believed that their collective success in supporting the arts required knowledge of funding patterns that reached well beyond their individual grantmaking portfolios and that this type of research would help to define the field. In 1989, GIA was formally incorporated, and in that same year, it approached Foundation Center about developing what became the groundbreaking 1993 report *Arts Funding: A Report on Foundation and Corporate Grantmaking Trends* — the first-ever benchmark study of institutional philanthropic support for arts and culture.[3]

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The vision of GIA's leaders and the Foundation Center research team resulted in a resource that went well beyond simply tallying up grant dollars and presenting static data tables and charts. The contemporary ease in accessing reams of data now regularly reminds users of these data that numbers without thoughtful interpretation can be at best meaningless and at worst intentionally misleading. The creators of the first *Arts Funding* study had the foresight to know that how these new data would be analyzed and explained would be equally important in determining their ultimate value to arts and culture philanthropists and the sector as a whole.

To mark the twenty-fifth anniversary of the publication of the first *Arts Funding* study, GIA has commissioned this reflection on changes in arts and culture funding over the past several decades to both revisit learnings and insights from prior arts funding research and to highlight what more recent trends may suggest about priorities for the field going forward. It draws upon an abundance of studies and observational works commissioned by GIA, including four subsequent *Arts Funding* reports,[4] sixteen years of annual arts funding "Snapshot" analyses, and numerous articles published in the GIA *Reader*, as well as selected data, analysis, and commentary from other expert sources on changes in public and private support for arts and culture in this country.

The following examination of changing sources of support for arts and culture in the 1980s, 1990s, and since 2000 illustrates how funding has evolved during this time and the factors propelling those changes — from economic booms and busts to political controversies to unprecedented growth in private support. It also features recent data on nonprofit revenue and sources of funding that suggest the arts are not keeping pace with other sectors, especially in the aftermath of the Great Recession. As with the many *Arts Funding* studies, "Snapshot" reports, and observational pieces published by GIA since 1993, these findings can help all members of the public and private funding community to better understand the current landscape, engage in informed reflection on present distributions and future priorities, and convey the importance of arts and culture to a new generation of potential supporters.

The 1980s: Building an Arts Funding Community

Arts funding has always been primarily local in focus. With prominent exceptions, such as the Carnegie Corporation in the 1920s and 1930s, the Ford Foundation beginning in the late 1950s, and the

National Endowment for the Arts (NEA) beginning in the latter half of the 1960s, most individual and institutional arts supporters focused their giving on large, European-tradition cultural institutions in their local communities. Prior to the 1980s, this funding also happened with very little formal engagement among the various public and private arts supporters. It was only in the mid-1970s "that a critical mass of arts funding professionals in foundations, corporations, and government agencies began to emerge . . . [in] New York City, and secondarily, in the Twin Cities, Chicago, Philadelphia,

. . . by the end of the 1980s, the number of arts organizations in the country had grown, foundation and government support for the arts had risen at a double-digit pace, and GIA had launched and begun to map out a future for the sector.

Los Angeles, and the San Francisco Bay Area," who would ultimately form the nucleus of a coordinated arts funding community.[5] Yet, by the end of the 1980s, the number of arts organizations in the country had grown, foundation and government support for the arts had risen at a double-digit pace, and GIA had launched and begun to map out a future for the sector.

The extraordinary growth of the arts and culture funding community in the 1980s was not an obvious outcome at the onset of the decade. A "double-dip" recession struck the country between 1980 and 1982, which followed a decade marked by stagnant economic growth and hyperinflation. The new Reagan administration entered office in January 1981 with a plan to end funding for the NEA, as well as to slash a range of social services. And restrictive rules on foundation payout enacted in 1969, combined with the challenging economic environment, had slowed foundation establishment and led the number of active foundations to decline twice in recent years. The following sections examine how these factors and other economic and political changes of the 1980s impacted public and private support for arts and culture.

Government

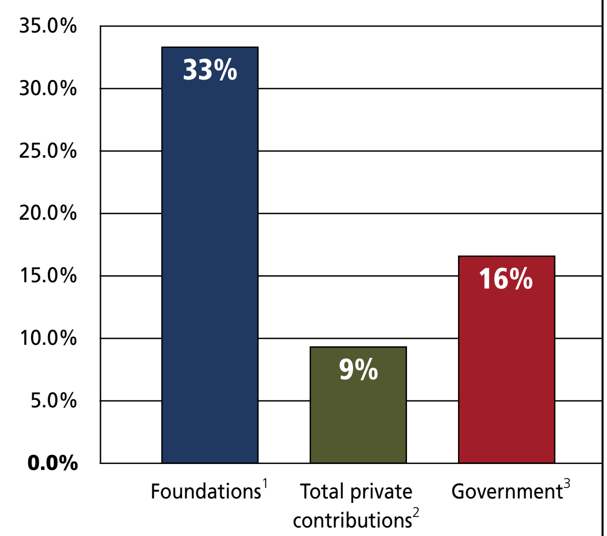
In 1980, the NEA ranked as the *single* largest funder of the arts in the United States — a distinction it has held for many years over the subsequent decades. The establishment of the NEA by Congress in 1965 had "encouraged and stimulated the growth of private foundations to become involved in the arts in many cities and regions throughout the United States where there was little activity prior to 1965. Further, the matching requirement attached to NEA grants [was] clearly responsible for stimulating large increases in private support."[6] Nonetheless, the Reagan administration planned to eliminate the NEA when it took power in January 1981. It was saved by a special task force on the arts and humanities that highlighted "the needs involved and benefits of past assistance."[7]

This newfound appreciation for the value of the NEA did not keep it from experiencing a roughly 10 percent reduction in federal appropriations in 1982, a markedly lower appropriation level that continued into 1983. Moreover, while the nominal value of appropriations to the NEA ultimately rose from $154.6 million in 1980 to $167.7 million in 1989, the inflation-adjusted value of these allocations declined 26 percent over these years. By decade's end, the NEA was also the focus of increasing controversy as the era's "culture wars" began to be used to make a case against public funding for the arts.

Despite the increasing challenges facing the NEA in the 1980s, its influence on the arts sector remained powerful. Beyond motivating a diverse array of new donors, the NEA's founding legislation ensured that 40 percent of its funding flowed directly to state and regional arts agencies (SAAs).[8] This led to a rapid expansion in the number of SAAs from five in 1965 to 56 by 1990,[9] as state legislatures and US jurisdictions set up SAAs to take advantage of this new source of revenue.[10] Boosted by the taming of 1970s-era inflation and strong economic growth, state tax revenues also climbed, providing greater resources for supporting the arts, among other priorities. Overall, legislative appropriations to SAAs jumped from $100.5 million in 1980 to nearly $243 million in 1989. By 1986, appropriations to SAAs exceeded the value of the NEA appropriation, and the combined inflation-adjusted value of these appropriations rose 81 percent over the decade.

Local arts agencies (LAAs) also experienced tremendous growth in number and resources during the 1980s, boosted in part by a matching grant program launched by the NEA in the early 1980s.[11] In the mid-1970s, fewer than half of major US metropolitan areas had local arts agencies; by 1989, 90 percent of these metropolitan areas had them.

FIGURE 1. Change in support for the arts: 1980s



1. Based on inflation-adjusted estimates of foundation giving for arts and culture for 1983 to 1989 from *Arts Funding IV*, Foundation Center, 2003.
2. Based on inflation-adjusted estimates of total private contributions for US arts and cultural organizations for 1980 to 1989 from *Giving USA*. Figure includes foundation giving.
3. Based on inflation-adjusted total federal appropriations to the National Endowment for the Arts (NEA) for 1980 to 1989 from the NEA; and inflation-adjusted total legislative appropriations to state arts agencies for 1980 to 1989 from the National Assembly of State Arts Agencies. Figure does not include direct expenditures on the arts by local governments.

LAAs numbered between 2,500 and 3,000 and were considered by one observer to be "probably the fastest growing sector of support for the arts in the nation."[12]

Private Contributions

Total private contributions for US nonprofit arts organizations rose from an estimated $2.1 billion to $3.4 billion between 1980 and 1989.[13] Individuals accounted for the vast majority of this giving, followed by corporations and foundations. After inflation, private contributions for the arts increased almost 9 percent over the decade. Nonetheless, inflation-adjusted private contributions for all purposes rose more than four times faster during this period (up 36 percent). As a result, the share of all private giving focused on arts and culture decreased by nearly a percentage point to 3.5 percent of total private contributions.

Corporations

Corporate philanthropy for all purposes grew rapidly during the first half of the 1980s and reached a record 2.0 percent of corporate pretax profits in 1986, or more than twice the current share. Despite declines in total corporate pretax profits in the first three years of the 1980s, corporate giving — including direct corporate giving and corporate foundation grantmaking — grew at a double-digit pace. This growth continued as corporate earnings began to climb, and corporate giving reached just over $5 billion in 1986. Corporate giving continued to grow in nominal dollars between 1987 and 1989, but the rate of increase did not keep pace with growth in pretax profits,[14] and corporate giving could "no longer be said to have a relationship to corporate earnings."[15]

Among factors contributing to a slowdown in corporate philanthropy were reductions in the tax benefits of contributions, corporate mergers and acquisitions that disconnected companies from communities, and a shift in funding focus to activities that supported workforce development, such as literacy projects and precollegiate education.[16] Also not accounted for in these estimates was the growing share of corporate support provided for nonprofits via corporate marketing budgets.

At the end of the 1980s, US corporations allocated approximately 11 to 12 percent of their annual giving to arts and culture, with the majority of this funding representing direct contributions from companies and the balance coming via foundation grants.[17] Business Committee for the Arts estimated total 1988 cash and noncash corporate contributions for the arts at $634 million, with 35 percent of businesses with at least $1 million in revenues

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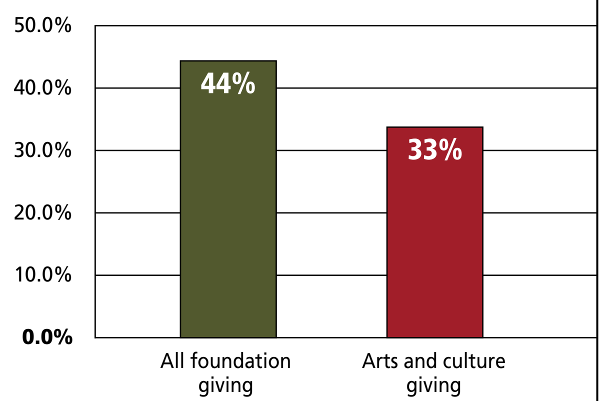
"[claiming] to have contributed something to the arts."[18] An examination included in the first *Arts Funding* study of giving by ten of the largest corporate giving programs for the arts in 1989 showed that similar to their foundation peers, they provided by far the largest share of their funding for the performing arts.

Foundations

The inaugural *Arts Funding* study documented changes in foundation support for the arts in the 1980s, a remarkable period of growth in the US foundation community. Prior to that decade, the 1950s and 1960s had set the record for foundation creation as the postwar economic boom generated substantial new wealth and thousands of individuals and families established foundations as vehicles for their philanthropy. With the exception of community foundations,[19] this rapid expansion of the foundation community slowed markedly in

FIGURE 2. Change in foundation support for the arts: 1980s



Source: *Arts Funding IV*, Foundation Center, 2003; and *Foundation Giving*, Foundation Center, 1996. Percent change based on inflation-adjusted giving between 1983 and 1989.

the 1970s as new payout requirements instituted in the Tax Reform Act of 1969 coincided with poor stock market returns and hyperinflation to deplete foundation assets. Nonetheless, "throughout the 1970s, the arts had been claiming an increasing percentage of total foundation giving."[20]

The Tax Reform Acts of 1981 and 1986 reduced the tax rate for the highest earners by close to half and, combined with robust economic growth, helped to increase the number of Americans earning $1 million a year or more fourteen-fold over the course of the decade.[21] The 1981 reforms also included a modification of the payout requirement for private foundations that enabled their assets to return to growth and once again made private foundations an attractive option for donors. In all, the number of active, grantmaking foundations jumped 45 percent to nearly 32,000 between 1980 and 1989. Even the stock market "crash" of late 1987 did not hamper the growth in the number of US foundations and their funding. Foundation funding for the arts grew from an estimated $658 million in 1983 to $1.1 billion in 1989.[22] After inflation, giving for the arts climbed 33 percent. This represented substantial growth but lagged behind the 44 percent rise in overall foundation giving during this period.

As remains true twenty-five years later, the first *Arts Funding* benchmark study found that the roughly two-thirds of foundation grant dollars for the arts awarded during the 1980s targeted the performing arts and museums, with the balance being distributed in varying proportions among arts services, cultural awareness, folks arts, historical activities, humanities, multipurpose arts, public arts, and visual arts and architecture.[23] The report also showed that four out of five foundations supported the arts during the decade, ranking with education and health as one of the fields with the highest share of grantmaker engagement.

The original *Arts Funding* study enabled the foundation community to demonstrate the consistency of its support for arts and culture throughout times of economic and political uncertainty. One of the questions posed by the original report was whether foundations would abandon the arts in response to the deep cuts in federal human services funding instituted by the Reagan administration early in its first term.[24] In fact, the report found that arts funding as a share of overall foundation giving held relatively steady, despite changes in giving priorities among individual funders. This is a pattern that largely held true through subsequent economic downturns and policy changes, until the post-Great Recession years.

The End of the 1980s

The 1980s witnessed fluctuations in the relative importance of various private and public sources of support for the US arts and cultural community that would be magnified in the following decade. Yet, the overall outlook was positive as growing resources helped to fuel the expansion of the arts and cultural sector. Sociologist and foundation arts funding expert Paul DiMaggio had noted at mid-decade that "in the aggregate, the pluralistic system of American arts support remains relatively stable and capable of maintaining the current volume of artistic activity."[25] Richard Mittenthal, one of GIA's founding members, observed at decade's end that "the American system of support for the arts is envied by many other nations."[26] The next decade would realize even greater growth in overall support for the arts, but not without the field of arts funders having to come together to make the case for why arts and culture matter.

The 1990s: Making the Case in a Growing Field

The 1990s kicked off with another recession, a "first Gulf War," and the sense that the very best times — at least in terms of rapid growth in private and public support for the arts — might have passed, along with the conspicuous displays of wealth that characterized the preceding decade. Yet, the 1990s ultimately proved to be the truly record-setting decade. A robust stock market rebound and technological revolution, combined with Reagan-era tax changes, led to seemingly unprecedented growth in personal wealth that resulted in dramatic gains in support for a wide array of priorities, including the arts. At the same time, the culture wars of the late 1980s ultimately resulted in the near halving of one major source of arts and culture support by mid-decade but also ignited the funding community to "make the case" for the value of public and private giving for arts and culture. The following analysis explores various factors that affected support for the arts during "the Roaring Nineties."[27]

Government

The fight over funding for the NEA in the 1990s permeated all facets of the arts and culture community, and it activated concerns over a foundational dissonance between US public and private funding priorities and supporting the arts. While government support for the arts existed before the NEA, it had been limited until after World War II by "little sense of an artistic community in this country" and "American fear of government intervention in the private sphere combined with persistent traditions of cultural localism."[28] Modern American foundations, which came into being only in the early 1900s, "were created by donors who displayed little interest in 'high culture,' but great commitment to social improvement. The result was that the paths of arts institutions and scientific philanthropy did not converge significantly for several generations."[29]

Helping to increase institutional philanthropy's engagement with arts and culture had been the commitment of government resources to the arts through the NEA, along with the requirement that these funds be matched by private contributions.[30] By the start of 1990s, the NEA was seen as having "been most effective at helping to create a diverse network for public support of the arts and increasing the number and quality of arts institutions" over the preceding twenty-five years,[31] and "this combination of government and prestigious private foundation funding had legitimated the arts as an area for new investments by small and newer foundations."[32] As a result, challenges to the NEA's very existence not only posed an immediate threat to the thousands of arts and culture organizations it directly and indirectly supported but also engendered "a fear that private funding was being affected by public controversies [which] was part of the impulse behind GIA's desire to better understand private arts funding."[33]

Ultimately, the censorship controversies that began with the NEA-supported Mapplethorp and Serrano exhibitions in 1989 led to a radical reduction in the NEA's resources and role.[34] While the value of federal appropriations to the NEA had declined steadily in inflation-adjusted dollars since 1990, the nominal value of appropriations had remained relatively stable through 1995. A change in congressional leadership following the 1994 elections, however, ultimately led to a nearly two-fifths reduction in the NEA appropriation in 1996. By the end of the 1990s, the inflation-adjusted value of federal appropriations to the NEA had declined by more than half (54 percent) from the start of the decade, and the agency had moved from over a dozen divisions focused on specific disciplines to "a few generic themes." Community-based arts represented a particular casualty of these changes.[35]

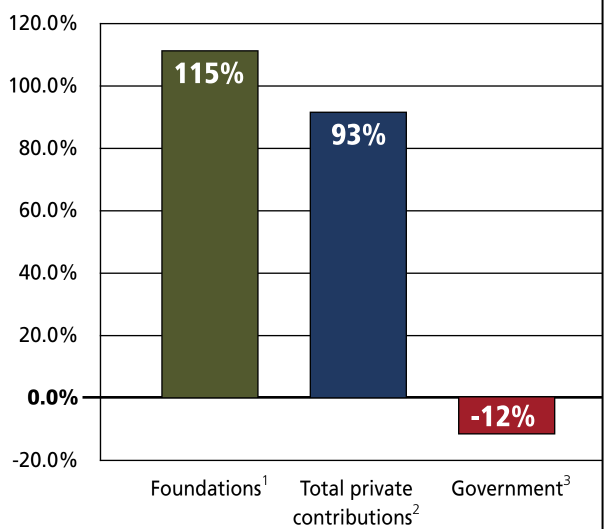
The next decade would realize even greater growth in overall support for the arts, but not without the field of arts funders having to come together to make the case for why arts and culture matter.

States arts agency budgets also suffered during the 1990s due to the NEA cuts, as SAAs are the required recipients of 40 percent of NEA funds. In addition, the 1990–91 recession reduced state tax revenues and resulted in a reduction in total legislative appropriations to SAAs early in the decade. As the US economy boomed in the latter half of the decade, replenishing state budgets, the inflation-adjusted value of legislative appropriations to SAAs in 1999 ended up about 3 percent higher than at the start of the decade. By comparison, direct expenditures by local arts agencies declined by close to 7 percent after inflation during this period. Nonetheless, estimated expenditures by LAAs totaled $634.2 million in 1999, and together with the NEA and SAA appropriations, their combined resources for arts and culture totaled $1.1 billion.

Private Contributions

The arts regained lost ground in the 1990s, with private contributions for arts and culture — including support primarily from individuals, as well as from foundations and corporations — growing at a faster rate than private contributions overall. Total private contributions for the arts rose from $3.7 billion in 1990 to $8.8 billion in 1999.[36] After inflation, this represented a 93 percent increase in resources

FIGURE 3. Change in support for the arts: 1990s



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for the arts. By comparison, private contributions overall rose a robust but lesser 67 percent during this period. As a result, arts and culture as a share of overall private contributions rose to 4.3 percent, nearly matching the share recorded in 1980.

Corporations

Growth in corporate support for the arts appeared to keep pace with overall increases in corporate giving during the 1990s. According to *Giving USA*, corporate giving — including direct corporate contributions and corporate foundation support — rose an estimated 52 percent after inflation between 1990 and 1999.[37] While not a precise overlap in time, the Business Committee for the Arts estimated that arts and culture funding by businesses with at least $1 million in annual revenues grew by 59 percent after inflation between 1991 and 2000.[38]

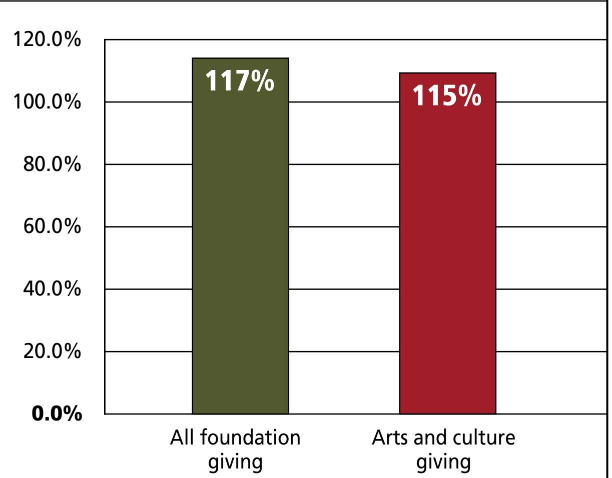
Foundations

The controversies surrounding the NEA in the 1990s led GIA and a number of individual foundations to support efforts that could help to make a case to government officials and private donors for the value of arts and culture to US society. Examples of these efforts include the first *Arts Funding* studies and mappings of the social and economic benefits of the arts in specific communities.[39] While attempting to draw a direct connection between these activities and the priorities of foundations would be specious, the rapidly expanding US foundation community resoundingly showed its support for arts and culture over the course of the decade.

Propelled by robust economic growth and the decisions of individual donors to establish foundations as a vehicle for their philanthropy, between 1990 and 1999 the number of active grantmaking US foundations grew by 55 percent, surpassing the 45 percent growth rate of the 1980s. These foundations, numbering more than 50,000 by decade's end, provided an estimated $3.3 billion for arts and culture in 1999, up from $1.2 billion in 1990. After inflation, this represented a more than doubling in foundation support for the arts. Moreover, unlike in the 1980s when overall giving grew notably faster than arts giving, the increase in foundation funding for the arts basically matched the pace of growth in foundation giving overall during this period (115 percent versus 117 percent).

The remarkable gain in foundation resources focused on the arts did not lead to any notable changes in the overall distribution of funds. The performing arts and museums continued to account for a majority of foundation grant dollars, as they do currently. Nonetheless, the third edition of *Arts Funding*, which focused primarily on 1996, did highlight several funding trends, including arts funders increasing use of intermediaries and regranting programs to broaden their support, an interest in funding smaller arts organizations and the "unincorporated arts," and engagement in mapping the connections between the arts and the community to "create greater recognition of the diverse ways in which members of the community

FIGURE 4. Change in foundation support for the arts: 1990s



Source: *Arts Funding IV*, Foundation Center, 2003; and *Foundation Yearbook*, Foundation Center, 2010. Percent change based on inflation-adjusted giving between 1990 and 1999.

experience culture," nurture "closer ties" among the formal and informal arts, and encourage "public policies that support a richly diverse cultural ecology."[40] The report also incorporated its first analyses of foundation support for "ethnic arts" and arts education.

The End of the 1990s

An assessment of public and private support for the arts at the end of the Roaring Nineties would have to take a generally optimistic tone. Despite the NEA controversy that raged throughout much of the decade, federal appropriations for the NEA had largely stabilized by decade's end, and SAA and LAA resources were rising again as the booming economy replenished government coffers. Meanwhile, total inflation-adjusted private contributions for the arts had nearly doubled, while foundation funding for arts and culture had more than doubled after inflation. Nonetheless, the arts community remained concerned about increasing "isolation and marginalization" of the arts "in the wake of the culture wars and a perceived anti-arts backlash."[41] It would soon face a greater set of challenges as the "tech bust" caused a recession early in the new century, followed just seven years later by the most severe economic crisis the United States had faced since the Great Depression.

The 2000s: Holding Steady and Losing Ground

A "decade" provides a convenient frame for considering larger historical changes but rarely affords a precise fit with actual events. This has been especially true since the start of the new millennium. The dot-com bubble that helped to propel growth in wealth and philanthropy in the latter half of the 1990s had deflated by 2001, leading the United States into its first recession in ten years. Before the recession officially ended in November of that year, the country also experienced the unprecedented terrorist attacks of September 11, 2001. Yet, the pattern of the prior decade, with a recession followed by robust economic growth, appeared to repeat as inflated housing prices driven upward by dubious lending practices and seemingly limitless consumer borrowing led to astonishing new levels of economic growth and wealth creation. Arts and culture benefited at a pace with other sectors during this period.

The "new fundamentals" of this economy did not survive the decade. By December 2007, the country was facing the worst financial crisis since the 1929 stock market crash and had entered a nineteen-month economic downturn that came to be known as the Great Recession. While the stock market recovered more quickly than could have been anticipated during the frightening early days of the crisis, restoring wealth to investors, the full economic recovery was slow and took far longer. For the arts, a complete recovery has yet to take place.

The following analysis examines how support for the arts has fluctuated during the tumultuous period between 2000 and 2014. Unlike in prior economic downturns, where the arts showed consistency and resilience, an examination of recent arts and culture revenue and public and private funding suggests that the arts as they are traditionally perceived may represent a diminishing priority for foundation and corporate donors. While the nominal value of support for arts and culture in the United States remains impressive, relative to changes in support for other priorities, the arts have unquestionably lost ground.

Government

The NEA began the new millennium with the lowest appropriation since 1975 but managed to regain congressional support over the next decade through stronger national leadership in the arts. From a low of $97.6 million in 2000, appropriations to the NEA rebounded to $167.5 million in 2010. While still making direct grants, the NEA had pivoted toward establishing "large initiatives designed to incorporate local organizations into broader national partnerships." This allowed for both economies of scale and the generation of greater attention for local organizations. These new initiatives "provided the public — including the media and government officials — with tangible examples of the Arts Endowment's achievements."[42] Nonetheless, the 2010 appropriation still totaled less than the peak appropriation level recorded back in the early 1990s. After 2010, annual federal appropriations to the NEA declined for three consecutive years before increasing again to $146 million in 2014. Despite these fluctuations in support, federal appropriations for the NEA were about 9 percent higher after inflation in 2014 than at the start of the new century.

Appropriations to SAAs, which had realized marginal positive growth after inflation in the 1990s, declined by 43 percent after inflation between 2000 and 2014. While political factors and community interests unquestionably affect SAA appropriation levels to varying degrees across states, the primary factor influencing their appropriations is state tax revenues. SAA appropriations peaked in 2001 at $449.5 million, reflecting the booming economy that had filled state coffers in the late 1990s and into 2000. This record high was followed by three consecutive years of declining appropriations. After the onset of the Great Recession, combined SAA appropriations declined for four consecutive years, from 2009 to 2012. In 2014, appropriations for SAAs totaled $306.5 million. Within this context, some SAAs have begun to reassess how they can most effectively serve the residents of their states.[43]

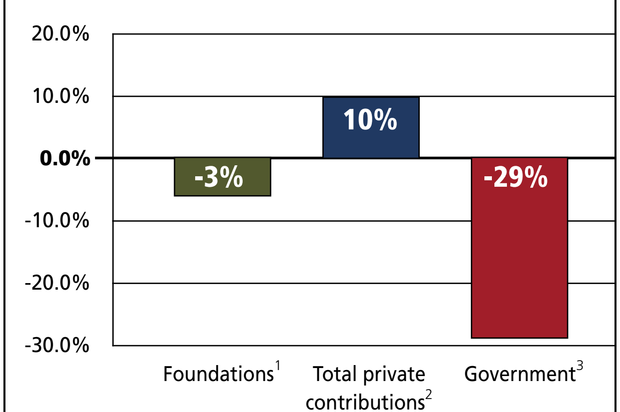
LAAs also showed a decline in the value of their expenditures since the start of the new century. Although LAA expenditures rose modestly from $668.7 million in 2000 to $685.2 million in 2014, the value of these expenditures dropped by almost 26 percent after inflation. Reflecting the turbulent economic times, expenditures by LAAs decreased in 2003 and 2004 and for three consecutive years from 2009 through 2011.

In the new millennium, funding for arts and culture remains a substantial but seemingly shrinking priority for the US foundation community.

Private Contributions

Private contributions for the arts appear to be more sensitive to the effects of economic downturns than is true for private contributions overall. In the first year of the new millennium, arts and culture benefited from 4.6 percent of total private contributions, including giving by individuals, foundations, and corporations. In 2014, it accounted for 4.5 percent, suggesting just a minor fluctuation in support during this period. Estimated private contributions for the arts reached $16 billion in 2014, up from $10.6 billion in 2000. After inflation, this represented a 10 percent gain. During the same period, total private contributions for all sectors rose close to 14 percent after inflation.

FIGURE 5. Change in support for the arts: 2000s



1. Based on inflation-adjusted estimates of foundation giving for arts and culture for 2000 to 2014 from *Arts Funding IV*, Foundation Center, 2003, and additional estimates of arts giving prepared by author.
2. Based on inflation-adjusted estimates of total private contributions for US arts and cultural organizations for 2000 to 2014 from *Giving USA*. Figure includes foundation giving.
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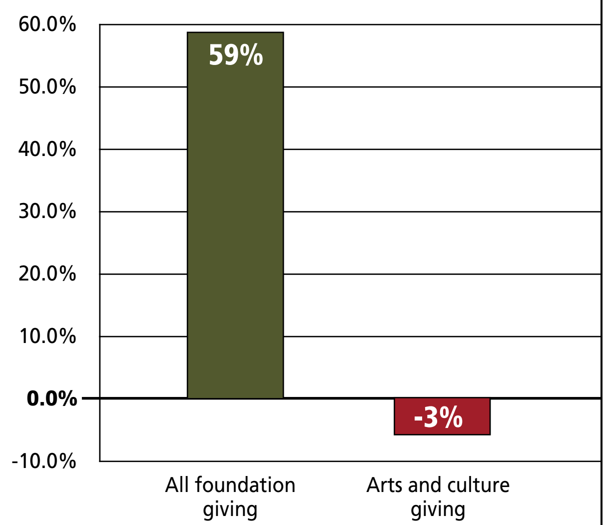
In reality, however, the tech-bust recession led to an estimated 2 percent dip in inflation-adjusted private contributions overall in 2001 but a more than 10 percent decline in inflation-adjusted private contributions for the arts. Between 2007 and 2009, at the height of the Great Recession, estimated total private contributions declined less than 15 percent after inflation, compared to a close to 19 percent drop in inflation-adjusted private contributions for arts and culture. Moreover, the arts experienced this decline as a more than 20 percent reduction in support in 2008, followed by a slight rebound in 2009. For private giving overall, the reduction in support took place at a fairly consistent rate over this two-year period. While more study would be needed to delineate all of the factors contributing to the immediate, steeper declines in private

FIGURE 6. Change in foundation support for the arts: 2000s



Source: *Arts Funding IV*, Foundation Center, 2003; Foundation Stats (data.foundationcenter.org); and additional estimates of arts giving prepared by author. Percent change based on inflation-adjusted giving between 2000 and 2014.

contributions for the arts, individual donors' reluctance to make major capital commitments in periods of economic uncertainty undoubtedly accounts for much of this effect.

Corporations

Corporate support for the arts has not fared well since the start of the new century. Data from The Conference Board for 2000 to 2010 suggest that corporate funding for the arts dropped by half after inflation over this period,[44] in contrast to *Giving USA*'s projected 16 percent rise in overall corporate contributions after inflation during the same time frame.[45] Corporate giving for the arts declined in 2003 and 2004 and for three consecutive years from 2008 through 2010. Subsequent research suggests an upturn in corporate support for the arts beginning in 2013.[46]

A recent analysis of corporate giving for the arts found that 81 percent of surveyed companies provided philanthropic support, while a lesser 73 percent of these companies gave to arts organizations. Smaller companies were more likely to fund the arts, which "reflects the fact that small businesses tend to focus their community engagements more locally than larger business, which have already spread their operations nationally or internationally."

Among the potential factors affecting corporate support for the arts may be the ability of the sector to demonstrate impact. The report's authors observed, "Most companies are not focused on measuring the impact of arts support, but rather see it simply as a necessary practice that does not require much further investment."[47] This conclusion was echoed in another recent study, whose author concluded, "As corporations integrate their philanthropic giving into the 'double bottom line' with an eye toward quantifiable return on their 'investments,' arts and culture are often at a disadvantage in relation to other programmatic focus areas (e.g., education, health, and the environment), which may benefit from a greater array of 'countable' outcomes."[48]

Foundations

In the new millennium, funding for arts and culture remains a substantial but seemingly shrinking priority for the US foundation community. Estimated US foundation giving for the arts totaled $4.9 billion in 2014, up from $3.7 billion in 2000. Yet after accounting for inflation, the value of foundation support for the arts *declined* by 3 percent during this period. In contrast, foundation funding overall climbed 59 percent after inflation between 2000 and 2014. As a result, arts and culture accounted for an estimated 8 percent of total US foundation giving in 2014, down from well over 13 percent in the early years of the 2000s.[49]

In the wake of the 2001 tech-bust recession, changes in funding for the arts remained generally consistent with trends in overall foundation giving. Both registered declines in support in 2002 and a rebound in 2003, consistent with prior observations that funders in general maintain consistent giving priorities during economic downturns.[50] A 2010 study of the response of leading arts funders to the Great Recession also found that "the vast majority of funders have not changed their strategic focus as a result of the recession." Although, the authors added, "Many funders, especially corporate and community foundation officers, report that making the case

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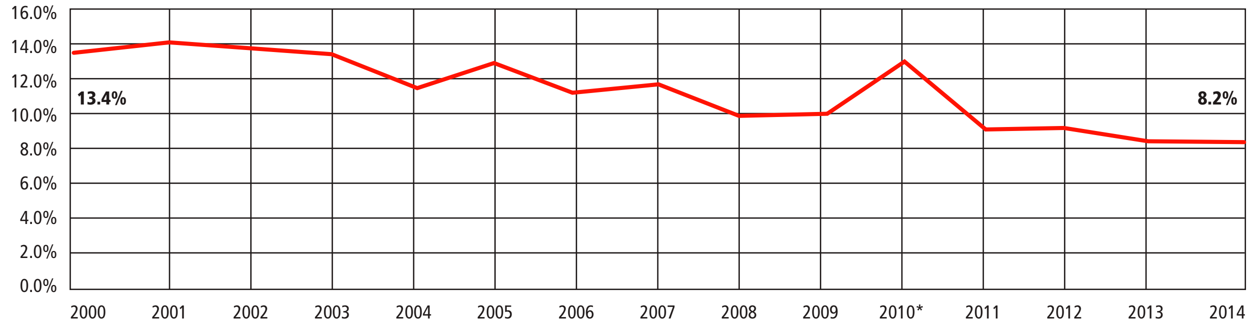
FIGURE 7. Arts funding as a share of total foundation funding: 2000s



Source: *Arts Funding IV*, Foundation Center, 2003; Foundation Stats (data.foundationcenter.org); and additional estimates of arts giving prepared by author.
* In 2010, the Walton Family Foundation made grants totaling $1.2 billion to the Crystal Bridges Museum of American Art.

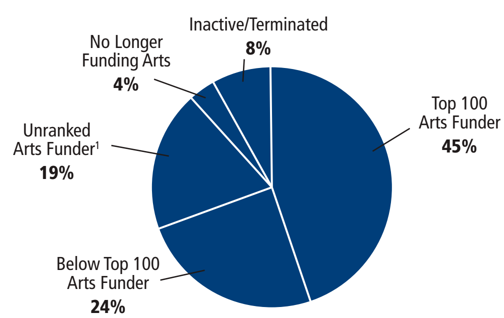
for arts support is getting harder in the face of pressure to address mounting human service and social service needs."[51]

In fact, before the onset of the Great Recession at the end of 2007, estimated arts and culture grantmaking had already slipped to less than 12 percent of overall foundation funding. Without a comprehensive survey of arts funders, there is no precise way to determine the extent to which the Great Recession has affected funding priorities versus other factors. However, an analysis of the 2014 arts funding of foundations that ranked among the top one hundred arts funders tracked in Foundation Center's grants sample in 2000 does raise some interesting questions. Among these one hundred funders, the vast majority (eighty-eight) continued to provide support for the arts in 2014. Of the remainder, eight were inactive or terminated, and just four remain active but no longer fund the arts. Nonetheless, while most of these funders remain active in supporting the arts, the level of their financial commitment has in many cases undergone a relative or actual reduction. Specifically, of the eighty-eight still-active arts funders, almost half (forty-three) no longer ranked among the top one hundred arts funders included in the 2014 Foundation Center sample.[52]

Another factor that appears to be contributing to the reduction in the share of foundation funding supporting arts and culture is differing priorities among millennial foundations. An examination of foundation support for arts and culture in 2014 reveals a marked difference between foundations established before and after 2000. Among funders included in Foundation Center's 2014 data set, 91 percent of those established before 1950 fund the arts. For foundations established in the 1990s, this share stands at 80 percent. In contrast, among foundations included in Foundation Center's data set that were established from 2000 forward, a substantially lower 63 percent made at least one grant for arts and culture in 2014.

Further research would be needed to understand the factors that are influencing these relatively newer institutional donors to either fund or not fund arts and culture. But it appears that the case for arts funding that attracted so many foundations in recent decades may not be resonating as strongly with newer donors. This finding may also not come as a surprise to funders active in the field

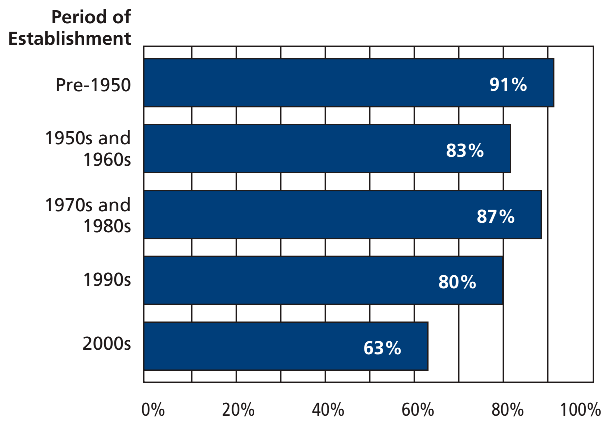
FIGURE 8. Status of year 2000's top 100 foundation arts funders in year 2014



Source: Foundation Center, 2017. Percent change based on inflation-adjusted giving between 2000 and 2014.
1. Includes foundations that either no longer qualify for inclusion in the FC 1000 set based on the amount of their overall giving or whose 2014 data were unavailable at the time Foundation Center prepared its data set.

in recent decades. In the 1999 *Arts Funding* interview study, grantmakers expressed concern that "the arts may be overlooked by new donors" and that "educating donors about the importance of supporting the arts [represents] an important challenge for arts funders."[53]

FIGURE 9. Share of foundations funding the arts by period of establishment: 2014



Source: Based on the Foundation Center's 2014 FC 1000 data set, which includes all grants of $10,000 or more awarded by 1,000 of the largest US foundations by giving. Forty-three foundations in the set lacked establishment information, and 20 of these funders (47 percent) made at least one grant with a primary focus on the arts.

Finally, despite the extreme economic fluctuations that took place in the early 2000s, the distribution of arts and culture funding in 2014 continued to look remarkably similar to the early 1980s: museums and the performing arts accounted for a majority of grant dollars, and a substantial share of funding was concentrated among a small number of major arts and cultural institutions.

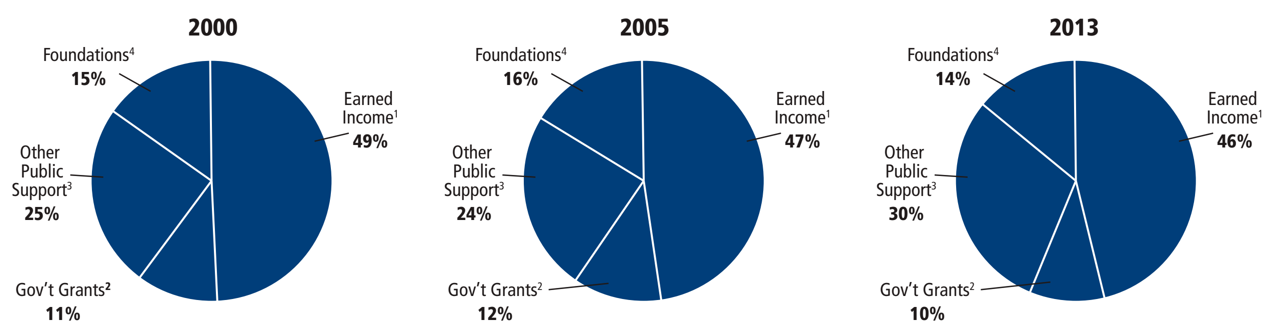
Revenue of Nonprofit Arts Organizations

The preceding analyses have examined changes in public and private funding for arts and culture in the United States since 2000, which account for a majority of support for nonprofit arts organizations in this country. However, the single largest share of revenue for US arts organizations — and the overwhelming source of revenue for most other types of nonprofit organizations — comes from earned income, including fees for services from private and government sources, investment income, and other revenue. Between 2000 and 2013, the latest year for which comparable data are available, earned income as a share of total nonprofit revenue for arts organizations slipped from 49 percent to 46 percent.[54]

Over this same period, individual giving has become an even more important source of support for nonprofit arts organizations. While foundation funding and government grants represented slightly smaller shares of overall arts nonprofit revenue in 2013 (14 percent and 10 percent, respectively), other sources of public support, including individual giving and corporate direct and indirect contributions (but excluding corporate foundation giving), increased as a share of revenue from 25 percent to 30 percent. Given the overall reduction in corporate support for the arts since 2000, this growth in nonprofit arts organization revenue reflects increased giving by individuals for the arts.

Total revenue for nonprofit arts organizations has risen just ahead of inflation since 2000. However, this growth has not kept pace with increases in the number of arts organizations or total US nonprofit revenue. In 2013, overall revenue for the country's arts and culture organizations totaled $33.6 billion, up from $24.3 billion. After inflation, this represented a just over 2 percent increase. By comparison, total US nonprofit revenue jumped 58 percent during this period. Consequently, nonprofit arts organizations slipped from representing 3 percent of total nonprofit revenue in 2000 to 1.9 percent

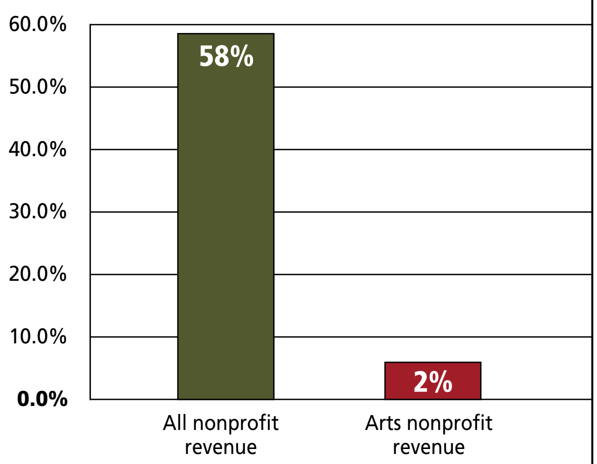
FIGURE 10. Sources of revenue for nonprofit arts organizations: 2000s



Source: *The Nonprofit Almanac*, Urban Institute, 2008 and 2016 editions for charities that report to the IRS on Form 990. This includes all charities with $50,000 or more in annual gross receipts, excluding religious organizations and congregations.. Due to rounding, percentages many not total 100 percent.

1. Includes fee for service from government and private sources and net income from sale of inventory, investment income, and net income from special events and other revenue.
2. Excludes fees paid by government sources.
3. Includes individual and corporate direct and indirect contributions, excluding corporate foundation giving.
4. Estimates of foundation arts and culture giving prepared by author and include corporate foundation giving but exclude giving to non-US recipients.

FIGURE 11. Change in nonprofit arts organizations' revenue: 2000s



Source: *The Nonprofit Almanac*, Urban Institute, 2008 and 2016 editions for charities that report to the IRS on Form 990. This includes all charities with $50,000 or more in annual gross receipts, excluding religious organizations and congregations. Percent change based on inflation-adjusted revenue between 2000 and 2013.

in 2013. Concurrently, the number of arts organizations reporting to the IRS grew 21 percent during this time,[55] meaning that the average value of revenue available for each of these arts organizations declined from $1 million to approximately $850,000 after inflation.

The Future: Data Always Lead to More Questions

The same data often tell more than one story, and that holds especially true for this reflection on changes in support for the arts over recent decades. While sources of revenue fluctuated to varying degrees in the 1980s and 1990s, overall support for the rapidly expanding US arts and cultural community generally increased at a rate well ahead of inflation. The 2000s so far present a more mixed picture, as support for arts and culture appears to represent a diminishing priority among foundations and an uncertain priority among corporations. At the same time, individual, foundation, corporate, and government contributions for arts and culture together totaled a staggering $16 billion in 2014.[56]

In the first *Arts Funding* study published in 1993, Stanley N. Katz commented that "the truly encouraging development is the emergence of a self-consciousness among arts funders (exemplified by the creation of GIA), which may pave the way to more thoughtful private and public funding strategies for the field."[57] The findings presented in this reflection highlight the critical importance of continually asking questions about the well-being of the field and each institution's potential role in ensuring a robust and diverse arts and cultural sector.

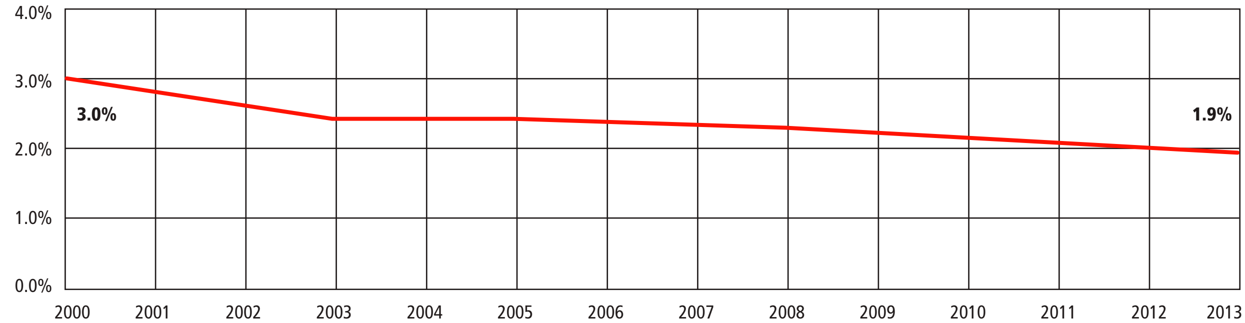
One essential question all public and private funders may want to consider is how their grantmaking helps to engage the interests and perspectives of younger and diverse arts creators, participants, and prospective donors. Recent data on declines in arts participation in "benchmark" arts activities suggest a generational shift away from supporting the types of institutions traditionally thought of as embodying the arts in the United States.[58] As former GIA president Janet Brown observed in a recent look back on her tenure with the organization, "I refuse to believe participation in the arts is down. . . . I think people make more art today and we have more young artists and arts appreciators than ever before."[59] However, ways of engaging with the arts and expectations for the ways that the arts need to speak to the challenges of poverty, educational disparities, and other factors may have changed. Twenty-five years ago, Katz perceived a waning of interest in supporting the

The 2000s so far present a more mixed picture, as support for arts and culture appears to represent a diminishing priority among foundations and an uncertain priority among corporations.

arts among foundations, corporations, and governments and posed a challenge to the arts community to either "revitalize its existing appeal to funders, or . . . reconsider the grounds upon which it has based its appeal for the last 30 years."[60]

Arguably, this questioning of the rationale for supporting arts and culture throughout the political controversies of the 1980s and 1990s and economic tumult of the 2000s has played an essential role in creating the robust and organized arts funding community that exists today. It has also promoted a rigorous research agenda to understand and convey the value of arts and culture to all facets of society. The authors of the first *Arts Funding* study, Nathan Weber and Loren Renz, identified its purpose as seeking "to determine whether funding in the 1980s 'opened up' access to foundation grants, or continued to perpetuate fairly narrow distribution patterns" for large legacy cultural

FIGURE 12. Arts organization revenue as a share of total nonprofit revenue: 2000s



Source: *The Nonprofit Almanac*, Urban Institute, 2008 and 2016 editions for charities that report to the IRS on Form 990. This includes all charities with $50,000 or more in annual gross receipts, excluding religious organizations and congregations.

institutions.[61] This article continues the now well-established tradition of arts funders supporting and embracing research on the arts and culture sector.

As with any research inquiry, this retrospective look at public and private support for arts and culture over the past few decades has highlighted and contextualized a number of trends, while also suggesting questions meriting further inquiry. Among those that may be most essential for arts and culture funders to consider in coming years are the following:

- Why have more recently established foundations chosen to fund the arts, and can these learnings be used to engage more new foundation funders in supporting arts and culture? Among newer foundations that do not support the arts, how did they determine their funding priorities, and were the arts and culture even considered?
- In what ways has arts and culture become embedded in health, education, the environment, or other sectors that may not be apparent in aggregate funding data? To what extent have funders adopted a more intersectional approach to their grantmaking?
- What are arts funders overall thinking about the well-being of the sector at this juncture? What do they perceive to be key priorities and opportunities over the next several years?
- How does my funding explicitly support the development of a viable and inclusive arts community for the future?

The first *Arts Funding* study was published at a time when the Internet was still largely used by academics and cell phones were luxury items the size of walkie-talkies. Yet the arts sector in 2018 shares some notable similarities with 1993. The NEA ranks as the single largest funder of the arts in most years and is at possible risk for defunding by a new administration.[62] The country has grown more ethnically diverse, and the bulk of foundation arts grantmaking supports large cultural institutions reflecting a European cultural tradition. Arts funders of all types worry about and at times grow weary from the continual need to "make the case" for the value of arts and culture within the broader society and their own institutions.

What has changed radically over the past quarter century is the shared awareness among public and private arts and culture funders of the need to come together regularly, learn from one another, reach decisions informed by research, and take coordinated action to ensure that the US arts and culture sector continues to thrive in ways that will engage, inspire, and challenge individuals and communities. GIA has been at the forefront of this evolution and will ensure that the sector continues asking the necessary questions and learning from reasoned answers over the next twenty-five years.

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ACKNOWLEDGMENTS

The decades' worth of knowledge reflected in this article exists because of the many organizations and individuals who have believed in the fundamental value of the arts and the importance of being able to measure and explain its contributions. The endnotes offer an introductory listing of many of the pioneers in tracking public and private funding for the arts. Among these innovators is Loren Renz, who established Foundation Center's research department, led the development of the first *Arts Funding* benchmark study for the Center, served as lead author on all of the subsequent reports in the series, and introduced me to the world of research on philanthropy. Among contemporary researchers who provided me with support in preparing this article are Randy Cohen at Americans for the Arts, Sunil Iyengar at the National Endowment for the Arts, Reina Mukai at Foundation Center, and Ryan Stubbs at the National Assembly of States Arts Agencies. Finally, the inspiration for this article came from Janet Brown, former president and CEO of GIA, and Jim McDonald, former GIA deputy director and director of programs. They have been exemplars of the GIA research tradition, bringing curiosity, insight, and a clear sense of mission to the creation of new knowledge for the field. It has been my pleasure to partner with them in creating this reflection.

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