When Times Are Tough

5 funders—Jessica Chao, Cheryl Ikemiya, Vicki Reiss, Angel Ysaguirre and Robert Zukerman—shed light on the current economic climate
MODERATED BY MARC MASTERSON

A T TCG’S FALL FORUM IN NEW YORK CITY IN November, titled “Radical Shifts: Governing Ahead of the Curve,” artistic director Marc Masterson of Kentucky’s Actors Theatre of Louisville moderated a panel on the subject of philanthropic giving in times of economic uncertainty. Five leading funders from the private and public sectors spoke candidly about trends in giving to the arts. Here are excerpts from their discussion.

MARC MASTERSON: We’re hoping to get a clear-headed look at what lies before us in different sectors of philanthropy—though there are currently so many unknowns. What are you hearing, Angel Ysaguirre, from your colleagues at Boeing and at large corporate philanthropies?

ANGEL YSAGUIRRE, DIRECTOR OF GLOBAL COMMUNITY INVESTING, THE BOEING COMPANY: I think until about two months ago, most large corporate organizations were intending to increase their giving. For the past two years, Boeing included, corporate giving programs have been growing. IBM does a report every year publishing notes from conversations with CEOs of the 50 largest American companies. We see that corporate giving has really been growing. Our board had made a commitment to this growth for at least another two years. That won’t happen for next year, but it’s not going to decrease, either. I think at least at the large companies funding will probably remain the same.

I’ve been getting a lot of phone calls from journalists in the past few weeks. They already know what they want to say when they call you and they’re looking for a quote to flesh out their argument. Every discussion is, “We know that money is going to be taken away from the arts. Can you tell us how you’re going to do that?” It’s sort of a disservice, I think. I was trying to have a conversation with these folks about how nonprofits can position themselves to make a better ask. The journalists were not interested in hearing that at all. They want to tell a story that we hear every single time there’s an economic downturn: The arts are going to suffer. I think the truth of the matter is that everyone is going to suffer.

At Boeing our corporate giving is not going to decrease—so the question is really about who’s going to be in and at what levels, and who’s going to be out. Every place I’ve ever worked as a grantmaker, we have organizations that we have long-term relationships with that we never want to give up. We care very deeply about those organizations, about their health. When there are downturns, we still stick with them. There are organizations that are newer to us, some that we’ve been funding, that we don’t have a strong relationship with. For us, those are the ones that will go away. We probably won’t take on as many new organizations as we normally would. So I think the question is: How do you maintain your relationship with funders—so that you’re one of those organizations whose strength they really care about?

We’re not cutting our giving, but we’re cutting our internal budget. The way that we absorb this downturn is by having fewer staff people. This is pretty typical in corporate America. We’re in some ways used to doing this, though now we have to do it on a much larger scale. We’re also going
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to be looking for organizations to do more with less. The organizations who can be most efficient, and show a bigger impact for the work that they do, those will be the ones that end up getting the support. I think the need to be able to exhibit or show impact is going to be increasingly important. I think being aware of your mission and being able to speak to your mission continues to be incredibly important.

Then again, we’re sort of in the middle of deciding what to do. My guess is that the way that nonprofits will be hit hardest will be with individual giving, that many more people won’t have jobs than before and that some of us won’t know what jobs we’ll have and for how long. My sense is that by the end of December we’ll know what the cuts might be to staff, so by early ’09 we’ll have a much better sense of where we are.

Cheryl, you’ve spoken before about the two-to-three-year average that philanthropies are managing and how that is designed to even out economic downturns. I wonder if you could elaborate on that in addition to addressing the issues that you see at Doris Duke.

CHERYL IKEMIYA, PROGRAM OFFICER FOR THE ARTS, DORIS DUKE CHARITABLE FOUNDATION: The Foundation Center’s report on the trends in past economic downturns, covering 1975 through 2007, shows growth in philanthropic giving, starting in 1975 at about $16 billion, increased to about $42.9 billion in 2007. What happened during those economic downturns is a slight decrease in the following years, but philanthropic giving continued to grow. Foundations that do base giving on their assets often track over a two-to-five-year period. Giving is based on the average during that period of time. At Doris Duke, we’re not going to see a significant downturn next year because our giving is based on our past two-year average. We’ll maintain our giving this year with no decreases. I’ve heard among some smaller foundations that they’re going to dip into their corpus to maintain their level of giving. Our budget is based on 5.25 percent of our corpus, so there’s still some flexibility in the short term to maintain level giving. Some corporations will reach into their corpuses to try to make up the difference—although the way corpuses have dropped over this period of time, anywhere up to 35 to 40 percent, is unprecedented.

In terms of Doris Duke Charitable Foundation, we plan in five-year arcs. We’ve completed field-wide conversations, first in the theatre community, then the presenting, dance and jazz communities. Across the disciplines everybody was talking about declining audiences; demographic changes; new leadership coming on board; and the challenge of technology and how we could harness it or the way that it could compete with the growth of audiences. We’ve built a strategy based on those challenges. We’re trying to make stronger artists. So we have many programs focusing on commissioning, residency, touring and professional development for artists.

We also focus on strong organizations, and our new strategy incorporates some of the ideas that came from our field-wide conversations to address organization change and transformation. A new program that we began this year—we’re working with one of our intermediary organizations, the Nonprofit Finance Fund—is about leading for the future. It’s about getting ahead of the curve by addressing these challenges. We work with organizations for the long term with a four-to-five-year commitment. It’s really about research and development for performing arts nonprofits to test new ideas. We don’t know that they’ll all be successful, but this is a learning process for the organizations and for us as a foundation.

Finally, strong organizations need a strong field, so we’re committed to supporting the national service organizations with general operating support and building cash reserves. We also have a research component for field-wide projects. We fund convenings, like the National Asian American Theatre Conference.

Midway through our preparatory conversation we did a reality check—because there are several foundations here whose commitment to the field you can already feel. Yet we might be looking at an 18-percent downturn and reinventing the entire operating model. It’s important to know who our friends are and the same time be realistic about what we’re facing. Jessica, can you talk a little bit about how these issues differ when it comes to individual philanthropists?
Jessica Chao, Vice President, Rockefeller Philanthropy Advisors: Philanthropic advisors are a funny beast. Rockefeller Philanthropy Advisors is a hybrid. We’re a nonprofit philanthropic advising service, and we work with individual donors, family foundations, major independent foundations and corporate giving offices. We basically serve as the outsource programming staff.

I’d like to go through a couple of observations on two different fronts. One is: What are we seeing relative to the donors we advise? And what are we hearing among our colleagues, who are large and small foundations, both here and nationally? Secondly, I’d like to go through some pressures we’re seeing in philanthropy that go way beyond the arts. I hope it helps you figure out where to target your limited staff and board hours when you’re approaching private philanthropy. There are some strategic decisions to be made where there’s fertile territory and where there is not. First, what we’re seeing among our donors and colleagues is that it’s all over the map. Everyone is reeling, just as you are. I was very happy to hear what Cheryl was reporting on the Foundation Center report because it’s
very true. In the end, we’re going to end up in the same place. Philanthropy is growing. That’s the nature of it. However, I think this is the first downturn in the market where so many foundations actually invested in hedge funds. In the past, through ’91 and 2000, most foundations were very conservative. Suddenly, from the late ’90s onward, they started getting very aggressive with 15 to 25 percent returns. The balanced portfolio had a different definition of “balanced” in the past, and I think all of those of you who have 401(K)s understand what I’m referring to. The first thing that I’m hearing from my colleagues overall is 10-percent cuts across the board for operating budgets. Many of them are going back to the board for this year’s operating budget, not just fiscal year ’09. This means hiring freezes, reduction in forces by attrition, cuts in travel. What does this mean for you? This means less face time with your program officers because there will be fewer staff hours and fewer site visits—so they’ll have less time get to know you and fall in love with your artists and with your constituencies and programs.

Corporations are most vulnerable in this area because they have the flexibility to change their budgets to reflect market conditions as they are evolving, and they can change them very quickly. What someone tells you today could be very different than what they tell you tomorrow. But keep this in mind: It’s totally out of the hands of the program officers that you’re talking to. Very often it’s out of the hands of the people who run the corporate giving or the foundation giving programs. They are actually your advocates, so be kind. One of the things I would suggest you do is even if foundation or corporate givers keep your grant stable, please publicize in the media how wonderful they are. That is not an easy decision for any foundation to make.

Then there is the laundry list of considerations I’ve been hearing: cutting the number of grants or the size of grants; spreading payments of grants over time instead of paying out in one year; getting more cautious about renewals; whether to fund the strongest and healthiest institutions because they will be able to last through this, or the weakest or the ones that don’t attract much private funding and are dependent on government funding. In terms of the weaker organizations, one of the key justifications is who is the audience and the community, and is this something that the community particularly needs in this downturn. That will be a vital decision point.

Remember the average Cheryl spoke about going up? The reason isn’t because people keep dipping into their endowment. It’s usually because foundation giving is in the aggregate. The so-called $40-trillion transfer of generational wealth is still coming down the pipeline. Paul Schervish from Boston College has a study on people who made it during the Depression era, and all those businesses are now handing down their wealth to the Baby Boomer generation. They’re giving the wealth over and creating foundations. The Rockefeller Philanthropy Advisors actually advises on several brand-new foundations, and they are growing. There are new ones out there. Would they be giving out more this year than they would a couple years ago? We can never second-guess. But I do know that these are new dollars and some, in fact, do embrace the arts. The new dollars will still be coming.

Private dollars have their pressures as well. This has been developing since the decentralization of federal government responsibility for the safety net of our most vulnerable populations. This is something that you should understand when you’re talking to a foundation. In September ’07, the House Committee on Ways and Means held hearings to examine whether public charities and private foundations served the needs of vulnerable populations—the poor, disenfranchised, minorities and others. Many well-known advocates argued that private philanthropy is not responsive to the need. To quote: “The losses in federal and state revenues from charitable deductions far exceed donor transfers to the needy.” In October ’07, the Los Angeles Times editorial page noted that “critics of government spending argue that America’s private sector does a better job making socially necessary investments. But it doesn’t…. Rich benefactors can give on anything they want, and they tend to spend on projects close to their hearts.” In other words, what the critics are telling the
public, and telling our government leaders, is that much of private philanthropy is subsidizing the affluent—and asking if this is a priority for favorable tax treatment. This is very sobering.

So what does this mean for theatres? I think this means you have to be going back to your core mission and core constituencies. What is most meaningful for your artists and your communities in a time of need? Many will say that private philanthropy was not set up to replace local government. That’s the responsibility of the public sector and taxes—and there’s a lot of truth to that. I’m a true believer of that myself. But when institutional stockholders look at the bottom line, and the line is going south, there are a lot of questions about priorities of non-revenue-producing divisions of corporations—human resources, public affairs, community relations and so forth. For what it’s worth, I strongly feel that those of you who are most in tune with the artists and communities you serve can make the case that you do increase the quality of life both in good times and in bad times. I assume that those who will grow through this period will be those who are
part of the solution of rebuilding community resources, not just looking for a handout. Misinterpretation of arts as an insular field, concerned with problems of the privileged, is not the image you want to portray in these difficult economic times.

That’s a wonderful segue into talking about the public sector. New York State Council on the Arts is a real leader in state arts agencies and commitment to the field. We’re interested in hearing both about what’s happening at NYSCA, but also what you’re hearing from your colleagues both at other state art agencies and in government philanthropy in general.

ROBERT ZUKERMAN, THEATRE PROGRAM DIRECTOR, NEW YORK STATE COUNCIL ON THE ARTS: Well, I’m the voice of doom here. I can’t even begin to speak to what’s going on in your states. I certainly don’t speak to what’s going to happen on the federal level, but we have reason to believe that there is some excitement. The president-elect has assembled, from what I’m told, a very strong team of advisors in the arts sector. Several of them sit on the board for the New York State Council on the Arts. I hear good things, even though the word “arts” I don’t think was ever mentioned in the entire campaign. I could be wrong. That leads into the responsibility of you the people, because public funding is your money. We’ve had a very difficult time. As we speak, the state of New York is sort of frozen. We have our legislature going back into emergency session on Nov. 18 to try to get a handle on what’s going on this year. I spoke to someone in the comptroller’s office and someone in the state education department, and they both said next year it’s going to get really ugly. So I think we’re looking at two elements: how to get through the current fiscal year and then the projections for next year. And it doesn’t look good. In an economic crisis like this, the public sector is not like the private. We don’t have endowments. It is your money. The New York State Council on the Arts essentially does not give out grants. We buy services for the taxpayers of New York State with taxpayer money. We are answerable to you, the taxpayer of New York State. I’m a civil servant. The governor proposes a budget; the state legislature makes that budget; we get a lump sum of money. That money is divided up at NYSCA into 15 different discipline programs. We are one of the very few discipline-specific state agencies still out there. That is one of the things we risk losing if there are serious repercussions next year, which I think would be problematic. At NYSCA all of the program directors are experienced professionals in their fields—so that when you come as a theatre person, you talk to me. I’ve worked as an actor for 34 years. I have a Ph.D. in theatre history. I’ve written plays. I’ve helped to found four companies.

I can tell you horror stories about a terrible period of cuts for the public sector. In 1991 former Governor Cuomo slashed the budget for the State Council on the Arts in half, from about $55 million to $25 million. In 18 years—and I’ve been at the council almost that entire time—we have not recovered. Public funders do not recover easily from difficult times. In 1990 the theatre program of the New York State Council on the Arts had a top grant of $325,000, which went to the Public Theater. Joe Papp was still alive. This year our top grant in the theatre program at NYSCA will still go to the Public Theater—at $98,000. Now, in the course of those 18 years, we have also been able to fund an average of more than 10 new organizations every year. And from the smallest of the small to the largest, I think there is more exciting theatre going on here in New York than has ever happened. But the resources from the public sector are fewer.

The most important thing, folks, is that wherever you get your money from—whether it’s the NEA or whether it’s local, or whether it’s your state—it is your responsibility to advocate for increased or at least stable public support. It’s your money. Don’t just get involved for yourselves. Get involved for your state arts organization and your funders. We’re all in this together. When
you are advocating for support, advocate for the field, for the arts in general.

So all we really expect from philanthropy is for you to know us and fall in love with us and give us money without any strings attached. That’s all we really want. The woman sitting to my left actually does that, so this is part of why she’s one of the most popular people in this room. Vicki, seriously, I hope you can talk about what you feel is coming down the pike at the Shubert Foundation.

VICKI REISS, EXECUTIVE DIRECTOR, THE SHUBERT FOUNDATION: The Shubert Foundation is indeed uniquely dedicated to the art form of theatre. It began years ago with the estates of the Shubert brothers. Over the years it has been fueled by operating profits from the Shubert Organization, a company of theatre owners and producers. It is a very rare example of the commercial world giving back—and that comes from my very enlightened board of directors. The bottom-line concern of the foundation has been and will continue to be the perpetuation of the American theatre. There’s been
a secondary focus on dance. We are adamant about general operating support. Shubert is the largest private foundation consistently providing general operating support to the not-for-profit theatre world. We allocated just about $17 million last year and that went to 293 theatre companies and 61 dance companies. We annually reassess. We do not provide multiyear support, although in essence a lot of our support becomes multiyear as we have never been forced to make cuts. In more than 30 years, we have only made cuts in response to changes in a company’s artistic, administrative or fiscal profile. We have also been in the fortunate position of being able to selectively allocate increases to varying degrees each year and to take on new companies each year. Like everyone else here, we face uncertainty. These are uncharted waters, and there’s a great deal we do not know. We are cautiously optimistic that the worst possible scenario for us this year would be that the groups that we choose to renew will be held flat at their present level of funding. So it might be the first year that we’re not in a position to selectively allocate increases or to take on new companies.

What do you see ahead as far as making judgment about how theatres are adapting to the realities of the marketplace, especially to the issue of evaluating mission? **REISS**: We have seen over the past five-to-eight years a gradual change in programming as a response to the changing economy and changing audience. This is a very discernable difference. There is no question about it. We refer to this as “the softening of the rep.” For close to a decade now we have seen material programmed with an eye toward more popular appeal, material that is not as dark, material that is more accessible—an overall softening of the repertoire. More specifically, we have seen that new work has come to be marginalized. I fear that new work will be marginalized all the more from here on. Say eight years ago a large company with a mainstage season of about six shows—two of those would have been new plays, and one would have been very dark and difficult. This would have been well cushioned by material to sell the season. Cut to five or four years ago, and that same company would do, perhaps, one new work on the main stage. Now for the most part what we are seeing is that that company can no longer do any new work on the main stage—simply cannot do it. They come to us and say, “We can’t survive if we do that.” Fortunately most of these companies are large enough to have second stages, third stages, black boxes or what have you. They are continuing to do the new work, but it’s being done on second stages. There’s no question but there’s been a very noticeable change in programming. We are so cognizant of the survival issues that dictate these changes, but it depresses us.

We’re trying to assess to what degree resources are being utilized for risk-taking. We take a very multifaceted view of theatre in this country, and our roster reflects that. Shubert has 293 theatre companies. We have every size of company, every kind of company, companies working on behalf of underserved populations, companies who are known for wonderful work with classical repertoire and companies who are more known for cutting-edge work, and companies that serve a community as the only game in town and try to do it all. We try to look at each company in the context in which it exists. If you are in Kansas City, we will evaluate you differently than if you are in New York. If we see that you are the only game in town, we will try to assess you accordingly. The development of new work is not the primary factor. That said, to some extent the perpetuation of the art form is dependent upon the development of new work. We have always wanted to think that our general operating support could help support risk-taking. What we’re trying to do now is to assess to what degree the risk-taking is less than we think it could be or should be, given the current economic conditions. In other words, when we see groups with sizeable endowments, relative to others in the industry, we want to see risk-taking on the part of that company. We will perhaps
expect more of the companies who have the greater resources. We also know it’s the smaller and scrappier companies who tend to be able to take more risks consistently. We find ourselves looking very carefully at programming, with enormous sympathy but great concern, and trying to see if it is a bit softer than it could be. Of course, we can only make our best assessment of these matters, but it certainly is a way in which our perspective is evolving.

LENA CARSTENS, MANAGING DIRECTOR, DAD’S GARAGE THEATRE, ATLANTA: We recently were told by a small, private foundation that rather than going for a January grant deadline, we should consider waiting until April to give the private foundations time to figure out how the economic downturn is going to affect them. Is that a trend you’re also experiencing, and is that something that you’d suggest, especially in going after new funding?

CHAO: Get the check. Send in that proposal as coiffed as you can get it, as early as you can get it, and say, “This is just an FYI draft.”

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You never know, especially for the smaller foundations, when sudden decisions get made in the board room, and when they get made in between board meetings. Their answer up front may be a bit less. In lean times, I would say the smaller check up front is better than waiting for the bigger check later. In rich times, I would say wait for that bigger check. Right now, money in the hand is worth a lot.

**SUSAN MEDAK, MANAGING DIRECTOR, BERKELEY REPERTORY THEATRE, CALIFORNIA:** You asked all of us to be advocates at the state level. I’d just like to ask all of you—when you go to the next Grantmakers in the Arts meeting—to be advocates for us. For us in the theatre field, it is increasingly frustrating dealing with the number of requests that we get for special projects, for something that we could not otherwise do that you would like to fund for us, a new initiative that you would like us to do that is in line with guidelines that are about progression and innovation, etc. In the next few years I think those of us who are going to stay afloat aren’t going to be looking at what is new and different as much as we’re going to be looking at preserving our core activities. I just ask that you do everything you can in that group of funders to encourage them not to think about bells and whistles, but to think about how they fund core programs.

**YSAQUIRRE:** That’s a really complicated, interesting thing. I work in a sector of funding where grantmakers probably know the least. The reality is that for corporate giving programs you never know who is in the jobs—oftentimes people from communications, somebody who did a really great job in finance, somebody someone else wanted to fire but couldn’t. If you’re really lucky you have a program officer who knows a lot about your issue. If you’re less lucky you have someone who doesn’t know as much, but really likes whatever the thing is that they fund. If you’re really unlucky, you’re stuck with someone who couldn’t care less, who doesn’t know. The reality is that scenarios two and three are probably the most prevalent.

Having said that, the people that I work with really, really like the organizations that they work with. But I work within the constraint of having to make grants within what our communications department decides in the brand of our company. Boeing has a nice advantage in that we don’t have to market to the people who walk around in the streets of our cities. So getting our logos on things isn’t a primary concern for us. However, we want to fund projects that reflect the brand of the company. Unfortunately, that often sets up the bells and whistles. If you have a really good program officer, they’re going to understand that and know how to work around it. But if you don’t—and chances are you don’t—you have to educate them. Also, I’m sorry, but at some point you just have to say no. Frankly, you rarely ever say no. I think it does go both ways.

Right now for Boeing I would say: Come and have a conversation with us. A conversation that we’re having now is that we’re a corporation that funds innovation—that dirty word—because it reflects our brand. But we’re looking at putting a moratorium on that and maybe next year funding general operating support. We’ll say rather than funding that new program or scaling it up, we can provide the size of grant we normally
You have to know who you're working with and know a lot about them.

**John Dembrow, Board Chair, Soho Rep, New York City:** I tend to take a more pessimistic view as to the long-range economy. My experience in the private sector is that during a downturn there are certain organizations that fall by the wayside and the strongest come through the recession stronger. Is there a strategy that takes into account what organizations may be standing on the other side of the downturn?

**Chao:** That’s a key question in many board discussions about our policy moving forward. Most of the time it does appear that boards are coming out in favor of those who are likely to succeed, except in communities or areas where there is no other access to the arts. If that organization doesn’t make it, that community has nothing. This applies not just to geographic or cultural communities. If there’s a sense that nobody funds jazz, they might look at that as something that needs more propping up.

**Ysaguirre:** We’ve been having that discussion as well, and a lot of the organizations that we’re probably the most invested in right now are the ones that we feel fill some kind of a gap. They’re probably vulnerable, and we recognize that if they go away it’s going to require even a larger investment once there’s an upturn again. It goes back to mission.

**Gabriella Calicchio, Managing Director, The Children’s Theatre Company, Minneapolis:** I want to share some good news in terms of funding for the arts. The citizens of Minnesota just voted to pass a constitutional amendment that would impose a three-eighth-of-1-percent sales tax that will equal $274 million a year. And what this will do is increase the state arts board funding from $10 million a year to $40 million a year. The way that this happened is that Minnesota Citizens for the Arts, which is an advocacy group, was able to combine efforts with those who were interested in clean water and land—the conservation groups—and come together to get this amendment passed. It appealed to people from every side of the fence. There are ways to be creative in funding for the arts.